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World Business Newspaper

WEDNESDAY JULY 17 1996

Russia's efforts to cut inflation hailed a success by IMF

The International Monetary Fund said an ambitious Russian anti-inflation programme, assisted by a $10bn IMF loan, had been a success. The Russian government's economic policies were also applauded by US vice-president Al Gore, who met president Boris Yeltsin (left) yesterday in a sanatorium outside Moscow after a planned meeting on Monday had to be rescheduled. Mr Yeltsin's appearance dispelled the worst fears about his health but observers at the meeting said he walked haltingly, spoke slowly and looked pale. Page 12; Shaky Yeltsin, Page 2

Renault's market share declines: Shares in Renault, the French carmaker, fell 2.5 per cent after it announced a sharp fall in its market share in western Europe. Page 13; New car sales tumble, Page 2; Lex, Page 12

Tietmeyer boosts rate cut hopes: Bundesbank president Hans Tietmeyer boosted hopes of a German rate cut by saying the central bank was interested in lowering interest rates if monetary conditions allowed. Page 2

US death sentences attacked: The respected International Commission of Jurists said death sentences in the US were arbitrary and weighted against blacks. Page 5

Ukraine's PM escapes bomb blast: Ukrainian prime minister Pavlo Lazarenko escaped unhurt when a remote-control bomb damaged his car on the way to Kiev airport, security officials said. Page 2

Israeli shares tumble: Israeli shares fell almost 4.5 per cent despite attempts to stabilise the country's turbulent financial markets. The decline means the benchmark index has fallen 20 per cent since Benjamin Netanyahu took over as prime minister in late May. Page 18

Earnings boost for top two US banks: The US's two biggest banking groups, Chase Manhattan and Citicorp, each registered large earnings advances in the second quarter. Chase had a 17 per cent rise in net income due to cost-cutting after the Chemical Bank merger. Citicorp's 12 per cent rise in after-tax earnings was helped by strong growth from its operations in emerging markets. Page 14

Brussels warns Poland: The European Commission warned that delays in Poland's plans to lower trade barriers could hold up its application for European Union membership. Page 3

S Korea to raise $25bn for transport plans: The South Korean government approved financing plans for the construction of five massive infrastructure projects costing $25bn. Page 6

Eli Lilly's sales down: Sales growth at US drugs company Eli Lilly wilted during the second quarter due to increasing competition in some international markets and the dollar's recent surge. Page 14

ING Barings settles lawsuit: ING Barings said it had settled the lawsuit it launched last month against rival investment bank Deutsche Morgan Grenfell over the poaching of 72 of its Latin American equities staff. Page 15

Tokyo acts over food poisoning crisis: Japan set up a crisis unit to curb the worst outbreak of food poisoning in the country's history, after four people died and more than 4,000 children became ill. Page 6

Zinc mine plan shelved: Mining company RTZ-CRA has shelved plans for a billion-dollar zinc mine in Queensland, Australia, rather than seek special legislation to thwart objections by aboriginal groups.

Eight Turkish MPs quit: Eight MPs resigned from Turkey's centre-right True Path party in protest at its alliance with Islamist prime minister Necmettin Erbakan. Page 2

Bomb found on Tour de France route: Spanish police detonated a bomb in Pamplona, where the 17th stage of the Tour de France cycle race is due to finish tomorrow. The device, planted in a rubbish bin outside a bank, was detonated after a warning was received. No one was injured.

Princess drops charities: The Princess of Wales is resigning as patron or president of almost 100 charities and organisations. She told the charities her decision arose from her divorce and her wish to re-organise her life.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,247.79	(-101.72)
NASDAQ Composite	1,018.72	(-40.47)
Europe and Far East		
CAC40	1,988.51	(-40.0)
DAX	2,469.79	(-80.74)
FT-SE 100	3,632.3	(-66.0)
Nikkei	21,406.35	(-347.07)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.187%
Long Bond	87⅞
Yield	6.998%

OTHER RATES

UK: 3-mo Interbank	5⅞%	(same)
UK: 10 yr Gilt	96⅞	(96⅞)
France: 10 yr OAT	106.3	(105.16)
Germany: 10 yr Bond	98.28	(98.03)
Japan: 10 yr JGB	97.444	(97.544)

NORTH SEA OIL (Argus)

Brent Dated	$20.23	(20.17)

GOLD

New York: Comex		
Aug	$384.2	(385.7)
London:		
close	$384.8	(383.7)

DOLLAR

New York: lunchtime		
£	1.5615	
DM	1.4776	
FFr	5.04365	
SFr	1.215	
Y	108.745	
London:		
£	1.5576	(1.5507)
DM	1.4922	(1.5184)
FFr	5.0655	(5.145)
SFr	1.2228	(1.2538)
Y	109.255	(110.325)

STERLING

DM	2.3242	(2.3546)
Tokyo $ close	Y 110.2	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 15.00	Qatar	QR12.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (mainland)	Es340	Turkey	L90,000
		Lebanon	LL3,000			UAE	Dh12.00

World markets hit by Dow turmoil

Falls sparked by weak technology stocks and fears of US rate rise

By Philip Coggan and Richard Lapper in London

Share prices in New York fluctuated violently yesterday, concluding a day of sharp declines on most world stock markets.

Renewed weakness in technology stocks prompted the Dow Jones Industrial Average, which plunged 161.05 points – or nearly 3 per cent – on Monday, to register another 160-point decline at one stage yesterday. At that level, the average had suffered a 10 per cent fall from its all-time high of 5,778, recorded in May.

However, the market rallied in late trading, and an hour before the close had entered positive territory. A series of profits warnings in the high-technology sector, allied to fears that a strengthening economy would prompt a rise in US interest rates, have caused shares to slide over the last fortnight.

Further disappointing news from companies in the technology sector, such as Texas Instruments and CompuServe, affected the market yesterday.

The Nasdaq index, which has a heavy concentration of high-tech stocks, dropped 41.98 to 1,018.23 by 1pm New York time; some US indices, such as the broad S&P 500, were at their lowest levels of the year at lunchtime.

The Dow recorded an early 40-point gain before its heavy lunchtime fall; a rally then cut the decline to less than 100 points by 1.30pm New York time. There was evidence, as last week, that investors were selling shares to buy US Treasury bonds; the benchmark 30-year issue was three-quarters of a point higher in early afternoon trading.

Earlier yesterday, Asian markets had their first chance to respond to Wall Street's sharp fall. In Tokyo, the Nikkei 225 average dropped 347.07 points, or 1.6 per cent, to 21,406.35, and there was a similar percentage drop in Hong Kong.

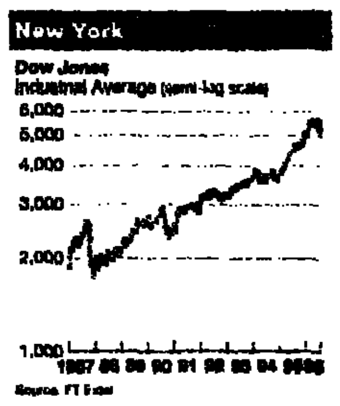
There was a nervous reaction in Europe, although the Dow's worst levels were not achieved until after the continent's bourses had closed.

In London, the FT-SE 100 index, having been 85.7 points lower at one stage, recovered slightly to finish 66 points off at 3,632.3, its 1996 low.

Other European markets also steadied, with the DAX in Frankfurt notching up a 3.2 per cent decline in official trading but limiting that drop to 2.1 per cent in after-hours dealings. European bourses had held up well in response to some of the Dow's recent falls, notably the 114-point drop on July 5.

Mr Peter Chambers, chief investment strategist at James Capel, said earlier declines were linked to expectations of a rise in US interest rates. Europe was able to shrug off such concerns because it was at a different stage in the economic cycle than the US. He did not expect a rise in German rates for 18 months to two years.

Monday's fall on Wall Street reflected concerns about corporate profits, Mr Chambers said. The continent's bourses had been badly affected as "a fair chunk of European earnings is based in the US". A further adverse factor yesterday was that Wall Street's decline led to a fall in the US dollar, which lost three pfennigs against the D-Mark.



Sumitomo refuses UK access to copper trade files

By Emiko Terazono in Tokyo and Kenneth Gooding in London

Sumitomo Corporation has refused to give UK investigators access to files detailing the copper trades by Mr Yasuo Hamanaka, the senior trader blamed by the Japanese trading house for losses of $1.8bn.

During visits to Tokyo by representatives of the Securities and Investments Board, the UK's top investment watchdog, and the UK Serious Fraud Office, Sumitomo said it could not give access to the files while its own investigation was in progress.

The UK investigators had to resort to interviewing other copper traders and brokers in Japan, while Sumitomo officials said the investigation was so complex it could take "several years" to complete.

Japan's ministry of justice, which had indicated that it would consider launching an investigation into alleged "unauthorised" trading by Mr Hamanaka, said yesterday that it had no formal plans for an inquiry.

Neither the SIB nor the SFO have any authority to conduct investigations in Japan or to demand that Sumitomo hand over files. They rely on the goodwill of the Japanese trading house, which dismissed Mr Hamanaka last month.

Justice ministry officials emphasised that, to inspect the files, the UK investigators would have to make a request to the Japanese foreign ministry which would pass it on to the justice ministry and its prosecutors.

The ministry said, however, there had been no further contact since the SIB and the SFO visited Tokyo last month.

In London, the UK agencies insisted they had achieved the main purpose of the Japanese visits – establishing personal contact with counterparts there.

"We want it to be a model of international co-operation because that is the only way the truth [about the Sumitomo copper affair] will be arrived at," an SFO official said.

No further visit by the SFO was planned at present but "we will go back again if the need arises".

An SIB official said Sumitomo continued to indicate its willingness to co-operate with the UK authorities. The visit to Japan had been partly to establish who would be taking the lead should the authorities there hold their own investigation.

It was clear to the UK agencies that the Japanese justice ministry was taking the lead role, but the ministry of international trade and industry, which oversees the country's trading houses and commodities trading, was also involved. Both had said they were willing to co-operate with UK and US investigators.

The Dalai Lama continued his visit to Britain yesterday amid warnings from China that the Tibetan leader's presence in the UK would have "adverse effects" on bilateral relations. Report, Page 6 Picture: AP

Clinton delays action on Cuba business links

By Jurek Martin and Nancy Dunne in Washington

President Bill Clinton yesterday affirmed the US right to sue foreign companies using Cuban assets formerly owned by Americans. But he sought to placate trading partners by imposing a moratorium of at least six months on the filing of suits.

Mr Sandy Berger, deputy head of the president's national security council, said Mr Clinton had decided to let the controversial Title III of the anti-Cuban Helms-Burton Act come into effect, but to use it "not as a sledge-hammer but as a lever" to promote democracy in Cuba.

Mr Berger said the president had decided that foreign companies needed to be put "on notice" that the US was determined that they cease doing business in Cuba unless there was substantial political and economic reform there.

In suspending any lawsuits for six months – and raising the possibility that the moratorium could be extended – Mr Clinton also called on US allies "to join us in taking concrete steps to promote democracy in Cuba."

However, the European Union said yesterday that it would continue with plans to retaliate to the act. A European Commission statement said that, while it welcomed Washington's decision to suspend the implementation of Title III, the extra-territorial nature of the law still remained.

A British embassy official in Washington said the UK was "pleased" at the suspension, "disappointed" there was no full waiver of Title III and "happy" to use the next six months for consultation on the future of Cuba.

The act, passed earlier this year to placate a strong Cuban-American lobby, allowed lawsuits against foreigners dealing in assets confiscated in Cuba since 1959. It attracted threats of retaliation from the EU, Canada and Mexico. Companies based in these countries could have faced costly US court actions.

Mr Berger noted that by implementing Title III - the object of the most intense allied criticism - any liability attaching to foreign companies for "trafficking" in confiscated US property in Cuba

Continued on Page 12
Lawsuits postponed, Page 5

TI profits fall 73% after steep drop in global chip market

By Louise Kehoe in San Francisco

Texas Instruments, one of the world's leading electronic equipment groups, confirmed the severity of the decline in the world semiconductor market by reporting a 73 per cent slide in second-quarter net income to $76m.

The result, which was much worse than analysts expected, contributed to the heavy early selling of technology-related shares on Wall Street.

TI, one of the world's largest semiconductor makers, said falling memory chip prices were the primary cause of the deterioration in its earnings.

Average prices for Dynamic Random Access Memory (D-Ram) chips, data storage devices, fell by 65-75 per cent in the second quarter, against the same period last year, and by 40-50 per cent from the first quarter of this year, it said.

TI's shares, which were about $50 at the beginning of this month, were trading at $41⅛ in mid-session yesterday, down about 2 per cent from Monday's close of $42¾.

Net earnings for the quarter were $76m, or 39 cents a share, compared with $278m or $1.44 a share in the second quarter of 1995. Revenues fell to $2.8bn from $3.24bn in the same period last year.

TI predicted that world semiconductor market revenues would shrink this year after an unprecedented 10 years of rapid growth. As recently as last December TI had been projecting market growth of about 20 per cent for 1996.

The long-term outlook for the world semiconductor market remained strong, however, with consumption expected to double over the next five years to about

Continued on Page 12
World stocks, Page 30

Two leading semiconductor makers yesterday changed their production plans in response to the fall in world chip prices.

Hitachi, Japan's largest electronic equipment maker, halted output at a new semiconductor plant and postponed big investments in capacity. Meanwhile Rockwell International of the US is to delay production for at least 12 months at a $1.2bn semiconductor wafer factory in Colorado Springs. Report, Page 13

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NEWS: EUROPE

Looks in good shape, says Gore, but others are not so sure

Shaky Yeltsin back in limelight

By Chrystia Freeland in Moscow

President Boris Yeltsin yesterday emerged from nearly three weeks of seclusion to meet Mr Al Gore, the US vice-president, in the Barvikha sanatorium just outside Moscow.

Mr Yeltsin's shaky appearance dispelled the very worst of the fears which were provoked on Monday when the Russian leader cancelled a meeting with his American visitor at the very last minute.

However, the small group of independent observers who were admitted to the beginning of yesterday's session said that Mr Yeltsin was walking haltingly, was speaking slowly and looked pale.

Mr Gore, whose chances for re-election this autumn on a ticket with President Bill Clinton could be boosted by a visibly successful Yeltsin administration, sought to play down concerns about the Russian leader's health.

"I think he is relaxing and getting some needed rest, but to me he looks good," said Mr Gore. "On every score, President Yeltsin was actively engaged and seemed in very good shape to me."

Mr Gore was the first western leader to meet Mr Yeltsin since June 26, when the Russian leader, who has had two mild heart attacks in the past 12 months, abruptly disappeared from public view, raising concerns that he might have suffered a relapse.

Mr Gore – in Moscow to meet Mr Victor Chernomyrdin, the Russian prime minister – praised Russians effusively for their "brave decision" to re-elect Mr Yeltsin earlier this month. The vote would open the way to "a new period of history in which investment capital flows to Russia in very large quantities".

Together with a high-powered US government team, the US vice-president and his Russian counterparts signed a raft of agreements. These included a deal to share information about civilian nuclear power plants, a number of environmental projects, and a long-term plan to co-operate on building an international space station.

The upbeat mood of the visit was dulled slightly by continued violence in Chechnya, where fighting erupted immediately after the presidential ballot. Intensified clashes on the ground were fuelled by a bellicose outburst from one of Russia's top security ministers.

Mr Gore said he had urged the Russian leadership to seek a peaceful solution in the breakaway region and hoped the "great optimism" reigning in other aspects of Russian life would spill over to the festering conflict in Chechnya.

However, the dovish Mr Chernomyrdin offered a more sober prognosis, warning that "we may be far from optimism when it comes to the Chechen issue". He "very much regretted" that the pre-election ceasefire had collapsed and vowed to press for a peaceful settlement.

His hopes appeared to be undermined by the uncompromising comments of Mr Anatoly Kulikov, the interior minister, a few hours earlier.

Mr Kulikov, whose troops are playing a central role in the fighting, accused Chechen separatists of setting off the two bombs which terrorised Moscow last week. He said this "bloody terror" unleashed by the Chechens, left the Russian authorities with only one option: "to destroy the bandits who carry out these crimes."

Tietmeyer: no increase

Tietmeyer raises hopes for rate cut

By Peter Norman in Bonn

Mr Hans Tietmeyer, the Bundesbank president, yesterday boosted hopes of reduced German borrowing costs by declaring that the central bank was interested in lowering interest rates if monetary conditions allowed.

In an interview with the German economic news agency VWD, Mr Tietmeyer said the bank's central council would carry out its summer review of monetary policy at its next meeting on July 25.

It was already clear, he said, that there would be no decision to raise rates either now or in the foreseeable future. Instead, the Bundesbank was interested in keeping rates "as stable as possible or even lowering them somewhat, insofar as monetary conditions allowed".

The Bundesbank went to considerable lengths to publicise Mr Tietmeyer's remarks by contacting news organisations, including the Financial Times. Officials said it was anxious that financial markets should not think last Friday's rise in the Dutch central bank's special advances rate to 2.7 per cent from 2.6 per cent presaged German rate increases.

Mr Tietmeyer has hinted several times in recent weeks that there might be scope for lower German rates. The Bundesbank cut its psychologically important discount and Lombard rates by half a percentage point each to 2.5 per cent and 4.5 per cent respectively in April.

These rates determine the floor and ceiling of German money market rates. But the securities repurchase rate, which determines the actual short-term money market rates, has been stuck at 3.3 per cent since February.

In theory, Bundesbank interest rate decisions are guided primarily by the growth of M3, the broad money measure which has been well above the 1996 target range of 4-7 per cent so far this year. However, M3 growth has decelerated in recent months. It was last recorded at an annualised rate of 10.5 per cent in May over the final quarter of 1995 after 11.2 per cent in April.

Since the last M3 report, it has been announced that pan-German year-on-year inflation was at an all time low of 1.4 per cent in May and the government has produced a tough draft federal budget envisaging a 2.5 per cent cut in spending next year. Another factor which could influence the bank is the D-Mark exchange rate. Mr Tietmeyer, in particular, does not want to see any gain that would erode Germany's international competitiveness.

However, the Bundesbank president, although undoubtedly influential, is only one voice among many in the bank's decision-making council. The future level of interest rates will be a subject of keen debate for all its members.

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New car sales tumble 8.8% in western Europe during June

By Haig Simonian, Motor Industry Correspondent

Sales of new cars in western Europe fell by 8.8 per cent last month, prompting concerns in the industry that this year's unexpectedly strong growth in demand may have ended.

The decline clipped the rate of growth in new registrations in the first half of 1996 to 4.8 per cent, compared with 7.5 per cent in the first five months.

The downturn reinforced industry forecasts that sales would rise by 2-3 per cent this year – some analysts had revised their predictions upwards after the surprisingly buoyant January-May period.

Last month's data, partly provisional, showed sales down in nine of 17 markets monitored by the European Automobile Manufacturers' Association (ACEA).

Registrations slipped in four of Europe's five biggest markets, and the rate of decline accelerated in France and Italy, where sales had started falling earlier.

Sales in France dived by 32.1 per cent last month year-on-year (1995 figures were inflated by the final month of an incentive programme for new car purchases) and by 4.8 per cent in Italy. Even the big German market reported a 3.3 per cent fall. Britain alone stood out in Europe's top five markets, with a 4.7 per cent rise.

"We believe the fundamentals are not strong enough to create significant consumer demand. Therefore, the underlying trend remains weak sales growth," said Mr James Rosenstein, ACEA's director of communications.

Most carmakers reflected the fortunes of their home markets. Renault and Peugeot-Citroën reported some of last month's sharpest falls among the big companies.

Added to the distortion caused by the French incentive scheme, was a fall in domestic demand for diesel-powered cars, in which Renault and Peugeot-Citroën are relatively strong. New diesels accounted for 40 per cent of the French market in the first half of this year, compared with 46 per cent in the same period in 1995.

Renault sales fell 20.9 per cent last month – the largest fall of any big manufacturer. Sales of Peugeot-Citroën slipped by 14.4 per cent.

Almost the only improvements in last month's European registrations came among Korean brands, which built on their strong push with a 12.2 per cent surge in sales year-on-year, taking registrations to 125,844 in the first half. This is almost 53 per cent above the same period last year.

Virtually the only other manufacturers to report significant increases were those with new models, such as Mercedes-Benz and BMW.

Lex, Page 12; Renault, Page 13

WEST EUROPEAN NEW CAR REGISTRATIONS

January-June 1996	Volume (Units)	Volume Change(%)	Share (%) Jan-Jun 96	Share (%) Jan-Jun 95
TOTAL MARKET	6,886,100	+4.8	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,183,529	8.4	17.2	16.7
- Volkswagen	781,750	11.9	11.4	10.7
- Audi	209,337	3.5	3.0	3.1
- Seat	153,310	-2.2	2.2	2.4
- Skoda*	39,132	14.8	0.6	0.5
General Motors***	886,706	1.6	12.9	13.3
- Opel/Vauxhall	851,624	2.1	12.4	12.7
- Saab**	29,904	-6.4	0.4	0.5
Fiat group****	817,046	9.3	11.9	11.4
- Fiat	649,951	11.9	9.5	8.9
- Lancia	93,660	-4.3	1.4	1.5
- Alfa Romeo	71,941	5.9	1.0	1.0
Ford group***	816,580	4.2	11.9	12.0
- Ford	809,536	4.3	11.8	11.8
- Jaguar	7,044	-10.0	0.1	0.1
PSA Peugeot Citroen	807,660	2.4	11.8	12.0
- Peugeot	479,116	2.4	7.0	7.1
- Citroen	328,544	2.4	4.8	4.9
Renault	667,760	-3.9	9.7	10.6
BMW group	403,890	5.1	5.9	5.9
- BMW	218,414	4.6	3.2	3.2
- Rover	185,476	5.7	2.7	2.7
Mercedes-Benz	244,377	15.3	3.6	3.2
Nissan	191,244	0.6	2.8	2.9
Toyota	171,607	4.3	2.5	2.5
Honda	103,644	7.1	1.5	1.5
Mazda	96,841	1.7	1.4	1.5
Mitsubishi	85,308	28.2	1.2	1.0
Volvo	98,488	-19.6	1.4	1.9
Total Japanese	734,725	6.3	10.7	10.6
Total Korean	125,844	52.8	1.8	1.3
MARKETS:				
Germany	1,909,000	6.4	27.8	27.4
France	1,028,200	1.8	15.0	15.4
United Kingdom	1,000,600	5.1	14.5	14.5
Italy	993,100	-8.7	14.5	15.3
Spain	463,000	0.0	6.7	7.1

*VW holds 70 per cent of Skoda. ***Includes cars imported from US and sold in western Europe. **GM holds 50 per cent and management control of Saab Automobile. ****Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (EUROPEAN Automobile Manufacturers Association) estimates. Figures are rounded.

MPs quit Çiller's party over alliance

By John Barham in Istanbul

Eight MPs resigned yesterday from Turkey's centre-right True Path party, further weakening the position of its leader, Mrs Tansu Çiller, in her uneasy alliance with Mr Necmettin Erbakan, the Islamist prime minister.

The rebel MPs' resignations had been expected since they voted against the coalition in last week's parliamentary vote of confidence. However, their departure could further jangle the nerves of financial markets concerned about the growing influence of Mr Erbakan's Refah party in government policy.

Mr Mehmet Kutman, chairman of Global Securities, a leading Istanbul brokerage, said Refah "has 90 per cent of the power and True Path is increasingly fragmented and Refah can dictate its policies".

True Path now has only 120 MPs to Refah's 159 and the government's majority has fallen to four in the 550-member parliament. Mrs Çiller may control the main economic portfolios, the interior, and the defence ministries, but it is Mr Erbakan who is deciding policy in these areas. Mrs Çiller herself is foreign minister.

Mr Erbakan has taken a moderate line so far, scrapping his radical proposals for ending the customs union with the European Union and pulling Turkey out of Nato, but there is concern that he is consolidating effective control over the government.

On Monday, markets plunged following statements by Mr Abdullatif Şener, the Islamist finance minister, that interest rates should be capped. Yesterday, news agencies reported that the nominally autonomous central bank would come under Mr Erbakan's control.

However, Mr Kutman said: "The central bank is always tied to the prime minister. We have to wait and see before anyone can say whether this is good or bad. I do not think Refah will pursue populist or Islamist polices like many people are saying."

There is no indication that Mr Gazi Erçel, the respected central bank governor, would be removed. But bankers suspect he would resist government demands to loosen monetary policy and fear markets would react negatively to a forced resignation.

Business executives are demanding that Mr Erbakan make a clear statement on the government's economic programme in order to calm the markets. Only Mrs Çiller spoke yesterday, promising to spell out on Monday how the government would finance its spending plans without accelerating inflation.

Mr Erbakan and his ministers maintained silence.

Business failure numbers overshadow efforts to cut unemployment

Shutters come down in France

By David Owen in Paris

The shuttered shops of the Félix Potin grocery company on many Paris street corners provide a daily reminder of the rapid rate at which French businesses are failing.

The collapse of the chain of shops late last year after 151 years of supplying food to Parisians was attributed to its failure to modernise and its concentration on the declining activity of selling food from small establishments.

Yesterday, the credit insurance organisation Société Française d'Assurance Crédit published statistics which will make worrying reading for Mr Alain Juppé's government, which is striving with mounting desperation to bring down a jobless total within a whisker of its highest ever level.

In the second quarter of this year, more than 17,000 French businesses failed, more than in any quarter since the final three months of 1993, at the end of the last recession.

Cumulative figures for the first half – almost 34,000 failures – represent an 11.8 per cent increase on a year ago and a 16.7 per cent advance from the six previous months.

In another worrying trend, SFAC counted 68 failures in the first half of this year of companies whose last known annual turnover figure was at least FFr100m ($19m), up from 52 in the same period of 1995.

SFAC said its figures confirmed "the deterioration in the business climate in France in the first months of 1996, beyond even the statistical disruption linked to the strikes of December 1995".

It continued: "Taking into account the weakness of economic activity and the uncertainties surrounding coming months, it is practically certain that 1996 will bring an increase in the number of company failures after two consecutive years when the number fell".

> Over 17,000 French businesses failed in the second quarter, more than in any quarter since 1993

If present trends continue, the number of business failures in France will come very close to the 68,000 in 1993, the worst year on record.

Among companies with annual sales of above FFr100m, the sectors which registered the worst deterioration in the first half of 1996 were building and public works and industry.

About 16,600 employees were affected by failures of medium-sized and large companies, though SFAC pointed out that not all these jobs would have been lost outright. Several of these companies were family concerns of relatively long standing.

Taking into account all failed companies, building and public works was the sector registering the biggest proportionate increase in the number of failures – up by 16 per cent from the first six months of 1995.

This was followed by property (up 14 per cent), cafés and restaurants (12 per cent) and consumer services (11 per cent). Only business services recorded a decline, by 2 per cent from levels of the first half of 1995.

In regional terms, the number of failures in Alsace and Lorraine in eastern France rose by 35 per cent and 28 per cent respectively. This trend was attributed by SFAC to Germany's recent economic difficulties. Failures in the southern France region of Provence/Côte d'Azur were also up sharply at 27 per cent above levels of a year ago.

Mr Jean-Pierre Raffarin, minister for small and medium-sized companies, who has set a target of cutting the mortality rate of new French businesses in their first three years of existence from 50 per cent – among the highest in Europe – to 20 per cent by the year 2000.

The government last week announced the creation of a development bank aimed at improving the "effectiveness of the system of public support for financing small and medium-sized companies" partly through a system of loan guarantee mechanisms and partly through co-financing arrangements in partnership with traditional banks.

Netherlands' economic garden is blooming

Dutch jobs figures are the latest in a harvest of healthy statistics, says Gordon Cramb

Unemployment in the Netherlands is on a downward trend after hitting a plateau late last year, government statisticians said yesterday. They were releasing second quarter jobs data – the latest in a string of healthy indicators for the economy.

The number of seasonally adjusted jobless represented 6.6 per cent of the labour force in the April-June period, down from 7 per cent a year earlier and from 6.8 per cent in the three months to May.

The announcement by the Central Bureau for Statistics followed its release on Monday of retail sales figures for May which showed a 7.1 per cent rise from the same month in 1995, accelerating from 4.9 per cent growth in April.

"The labour market is developing favourably due to wage moderation. This is keeping exports competitive and is spilling over into the domestic economy, especially the service sector," said Mr Bob Kommers, economist at ABN Amro Bank.

"Consumption is developing very well, and that is also caused by solid employment growth." In addition, disposable income had been augmented by tax cuts last year, he added.

The retail sales surge, although exaggerated by a greater number of popular shopping days which fell in the month, mirrors a cautiously improving trend in consumer confidence surveys.

Nor does evidence exist of upward pressure on prices. Inflation in recent months has held at an annual 2 per cent, its average level for last year.

Exports, up 4 per cent year-on-year in the first four months of 1996, are expanding more quickly than expected. Demand was no less strong from the key German market, which takes some 30 per cent of all Dutch exports and has been on the edge of recession.

A large part of the country's shipments to Germany are foodstuffs, which are less sensitive to the downturn, and gas, demand for which was buoyed by a cold winter. The Dutch economy has been growing faster than its larger neighbour since 1993, but any further tightening by Bonn would have an impact, economists warn.

Gross domestic product, which grew 1.8 per cent in the first quarter, is officially forecast to emerge 2 per cent higher for the full year before accelerating to between 2.75 and 3 per cent in 1997.

The projections depend in part on the strength of the wider European economy and also on the extent of tax and social security changes in the ruling coalition's September budget.

Reforms aimed at easing the burden on the government of disability benefits yesterday appeared likely to be delayed, however.

Employers would have a greater responsibility for providing cover under the widely abused system, as part of a shake-up due to take effect next January. A delay in getting the measures through parliament means they may now take effect only from 1998.

EUROPEAN NEWS DIGEST

Ukraine PM escapes bomb

Mr Pavel Lazarenko, the recently appointed Ukrainian prime minister, yesterday narrowly escaped serious injury when a remote-controlled bomb exploded as his car drove past.

Neither Mr Lazarenko nor his aides were badly hurt, but two cars in the cavalcade, including the one carrying the prime minister, were shattered by the blast. The explosion left a crater 3m wide and 1m deep in the road.

The motives behind the attack were unknown. Some government officials speculated that it had been instigated by political or business groups threatened by Mr Lazarenko's efforts to resolve the coal miners' strikes in the east of the country. Another observer in Kiev believed the explosion was intended as a warning to Mr Lazarenko and had not been designed to kill or seriously injure him.

Mr Lazarenko had received death threats against himself and his family in 1992 when he was the presidential representative in his native city of Dnipropetrovsk, in east Ukraine. The warnings then were thought to be linked to his efforts to crack down on corruption at the city's central market. *Chrystia Freeland, Moscow*

West debates Bosnian mandate

US envoy Richard Holbrooke (left) being met at Sarajevo airport yesterday by US ambassador to Bosnia, John Menzies

France yesterday began sounding out its fellow members of the United Nations Security Council about a possible boosting of Nato's mandate in Bosnia, so as to provide for firm action against Bosnian Serb leaders who are wanted for war crimes.

UK officials said Britain would want to consider the military odds very carefully before agreeing any change in Nato's stance. At the moment, Nato peacekeepers have instructions to arrest any suspected war criminals they "come across" but they are not empowered to mount manhunts.

Before any change of policy, Mr John Major, the UK prime minister, would ask British commanders for a "reasoned military view" of the feasibility of an operation to snatch Mr Radovan Karadzic, the Bosnian Serb leader, and other figures suspected of atrocities, one UK official said.

Mr Richard Holbrooke, the architect of the Dayton peace agreement, re-entered Balkan politics yesterday by flying to Sarajevo, where he said the US was "very concerned" over non-compliance with the peace accord by the parties, especially the Serbs. Asked about a change in Nato's mandate, he said: "As far as I'm concerned, Nato has all the authority it needs to enforce compliance." *Bruce Clark, London*

Bonn invites digital phone bids

The German post and telecommunications ministry will today invite bids to operate a fourth digital mobile telephone network from May next year. A consortium comprising Viag, the German industrial conglomerate, RWE, the utility, and British Telecom is expected to bid for the licence to operate the network and is thought to have a good chance of winning it. Germany's existing digital mobile phone operators – Deutsche Telekom, Mannesmann and Thyssen/Veba – are barred from applying for the so-called E2 licence.

The ministry said the successful bidder would have to reach at least 75 per cent of the German population by the end of 2001 with the 1800 megahertz system. Bids will be accepted until October 15 and the ministry will make its decision by February 4 next year. *Peter Norman, Bonn*

Greek ceiling on overdue loans

Greece's central bank yesterday set a ceiling for penalty interest rates on overdue loans at 2.5 per cent above current borrowing rates. A Bank of Greece official said that although interest rates had fallen by around 10 points in the past three years, banks were still charging penalty rates of 4-5 per cent above current rates for working capital. The move is expected to benefit smaller companies with face cash flow problems.

The central bank, which is trying to improve transparency in Greek banking, also ruled that commercial banks must provide customers with full details of charges imposed on overdue loans. A bank official said that gaps in procedures meant that "many borrowers are not aware of exactly how much they are paying in extra charges". *Kerin Hope, Athens*

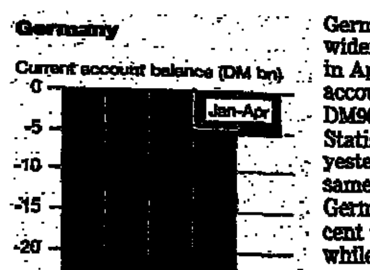
Albania ends key price controls

The Albanian government announced late on Monday that it had lifted controls on bread, gas and parafin prices, raising fears of rocketing prices and unrest. However, the price of electricity, petrol and water will continue to be controlled.

Bread prices and supplies of basics have been sensitive issues since Albania toppled its hardline communist regime in 1990. In 1991, more than 40 people were killed in food riots. But the government said it would supplement the income of all public sector employees and pensioners with subsidies to compensate for any rise in bread prices. *Reuter, Tirana*

ECONOMIC WATCH

German trade surplus grows



Source: Datastream

Germany's trade surplus widened to DM8.2bn ($5.38bn) in April and the current account deficit narrowed to DM900m, the Federal Statistics Office said yesterday. Compared with the same period a year earlier, German exports rose 11.7 per cent to DM63.6bn in April, while imports were up 11 per cent at DM55.4bn. In March, the trade surplus was DM6.2bn and the current account deficit was DM1.4bn. In the first four months of 1996, the German trade surplus widened to DM28.4bn from DM27.3bn in the same period in 1995. The current account deficit grew to DM5.4bn in the period from January to April from a deficit of DM4.6bn during the same 1995 period. German exports rose 4.8 per cent to DM247.6bn in the first four months of the year, while imports rose 4.9 per cent to DM219.2bn. *Reuter, Wiesbaden*

■ Sweden's central bank cut its key repo rate to 5.70 per cent from 5.90 per cent. The rate has been cut by almost 2.25 percentage points from the level of 8.91 per cent at which it began the year.

■ The Belgium and Luxembourg Economic Union's trade surplus fell to BFr34.8bn ($789m) in March, from BFr46.1bn a year earlier.

Poland given trade warning by Brussels

By Lionel Barber in Strasbourg

The European Commission yesterday called on Poland to speed up plans to lower trade barriers, warning that delays could hold up its application for EU membership.

Mr Hans van den Broek, EU commissioner handling enlargement in central and eastern Europe, singled out Polish duties on oil imports during bilateral talks in Brussels. He also criticised a deal with Daewoo, the Korean car manufacturer, to import 110,000 assembly kits.

The Dutch commissioner told reporters: "It is regrettable that such trade difficulties should affect relations between the EU and Poland at a time when we are working so closely to prepare for accession. They need to be resolved quickly so that they do not interfere with our preparations for [Poland's] membership."

By contrast, Mr van den Broek, praised Hungary's progress in bringing economic, trade and legal standards up to the EU level. After meeting Mr Laszlo Kovacs, Hungarian foreign minister, he declared: "The overall picture is a very positive one."

The complaints about Polish protectionism look like an effort to inject a dose of realism into future enlargement negotiations. The Commission has long felt that post-communist governments in Warsaw have played down the difficulties of future accession and aligning the economy to the single market. Brussels opposes Poland's decision to keep tariff barriers on oil products in place for two years to allow a $3bn restructuring of the domestic oil industry.

The Commission is also irritated by a deal with Daewoo to export 110,000 disassembled cars duty free into Poland for two years. Mr van den Broek said the duty violates the 1991 agreement that gave Poland associate EU membership and set the terms of EU-Polish trade relations leading to full accession. Poland argues that it is a temporary measure to help restructuring ahead of opening the market to international competition.

Mr Dariusz Rosati, Polish foreign minister, resolved some differences over certification of industrial products, anti-trust rules and Polish import barriers to leather and some farm goods. He appealed for a firm timetable for opening accession negotiations, which most believe are unlikely to begin until the end of 1997 or early 1998.

Poland, the Czech Republic and Hungary are widely seen as the front-runners for future EU membership around the turn of the century. Their advanced economic performance as well as their geopolitical importance as neighbours of Germany could put them ahead of the Baltic states, Slovenia, Slovakia, Bulgaria and Romania.

Brussels has sent questionnaires to all 10 central and east European applicants for membership and expects replies by the end of this month.

Italian 'super minister' talks tough

By Robert Graham in Rome

If things had gone as planned Mr Carlo Azeglio Ciampi would have begun a graceful retirement in 1993 after 14 distinguished years as governor of the Bank of Italy.

But first he found himself called to head a transitional government for a year until April 1994. Now, at the age of 75 and still looking spritely, Mr Ciampi is playing a pivotal role in the centre-left government of Mr Romano Prodi as a "super economics minister". Combining for the first time the Treasury and budget portfolios, he symbolises the government's commitment to modernise the economy and join European monetary union.

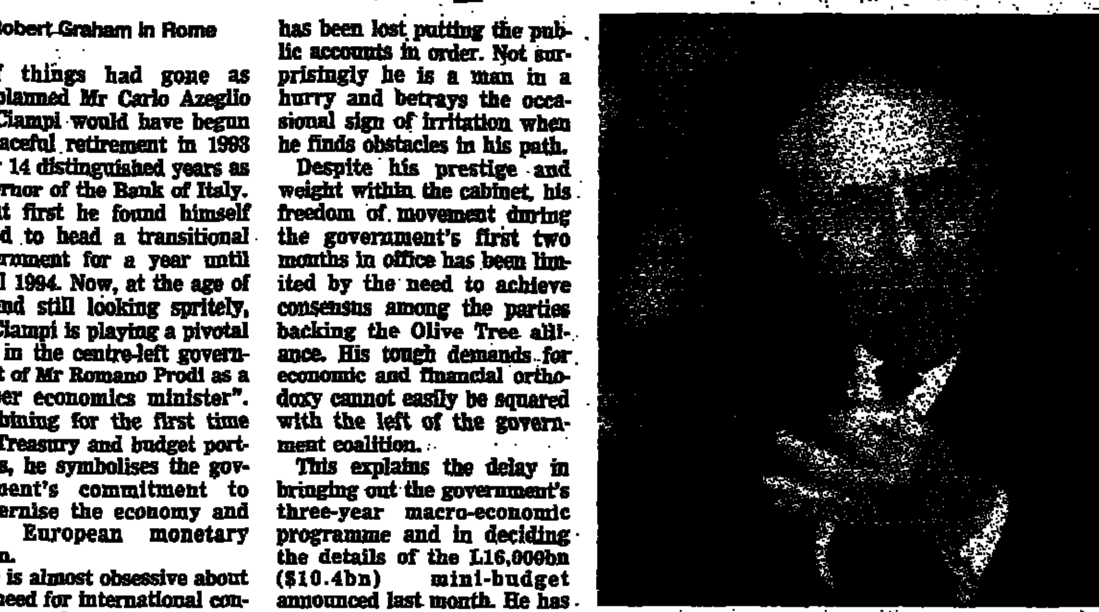
He is almost obsessive about the need for international confidence and credibility in the government's policies. But he knows full well how easily sentiment can change. Disagreements within the government last week over incomes policy were followed by sharp falls on Italian financial markets and this week they took further fright at the government's indecision.

In many ways this government's economic policies begin where he left off as prime minister two years back. Since then the privatisation process has slowed and valuable time has been lost putting the public accounts in order. Not surprisingly he is a man in a hurry and betrays the occasional sign of irritation when he finds obstacles in his path.

Despite his prestige and weight within the cabinet, his freedom of movement during the government's first two months in office has been limited by the need to achieve consensus among the parties backing the Olive Tree alliance. His tough demands for economic and financial orthodoxy cannot easily be squared with the left of the government coalition.

This explains the delay in bringing out the government's three-year macro-economic programme and in deciding the details of the L16,000bn ($10.4bn) mini-budget announced last month. He has been obliged to see the unions get away with a 3 per cent earnings increase in current wage negotiations against an inflation target of 2.5 per cent for 1997. This will place additional pressure on controlling inflation – the central pillar of economic policy, alongside forcing down interest rates.

Where the Treasury can act alone, he has moved fast. Already he has signalled his determination to accelerate privatisation by selling off the Treasury's final tranches in Ina, the insurance company,



Carlo Azeglio Ciampi: economy supremo in a hurry

and Imi, the financial institution. He has ruled out the Treasury taking Alitalia, the troubled national airline, on to its books away from Iri, the state holding company. Iri has been told it must find on its own the L3,000bn needed to refloat Alitalia, with the airline if necessary selling some of its own assets.

"In the autumn we plan to sell another tranche of Eni (the oil group) but at this stage it has not been decided how much," he said in an interview. Last year 15 per cent of Eni was floated, raising L6,300bn.

His main privatisation concern is Stet, the telecoms group, which is owned 62 per cent by Iri, the state holding company. Dubbed the "mother of all privatisations", the Stet sell-off has been blocked for two years by a powerful cross-lobby in parliament. Mr Ciampi was unable to push through even a shake-up of the Stet board when it came up for renewal last month; and the cabinet has twice delayed agreement on legislation for setting up a telecoms authority.

Legislation for this regulatory authority is an essential pre-condition for selling off the core telephones business, and the cabinet should finally give the go ahead *today*. "Hopefully we can get the authority legislation through one of the two houses of parliament before the summer recess," Mr Ciampi said. "Then the other house could process the law by late September, mid-October."

The window of opportunity to sell Stet would then come between Deutsche Telekom in the autumn and France Télécom in the spring. He believes this would probably be in January/February. The Stet sell-off is essential to generate funds to reduce Iri's debt from L25,000bn to below L5,000bn as agreed in 1993 with the EU Commission. Theoretically, this has to be completed by the end of this year but Mr Ciampi believes an extension can be negotiated.

On broad economic policy, Mr Ciampi defends the government's decision to aim to achieve in 1998 the budget deficit convergence criteria for Emu laid down in the Maastricht treaty. This would be a year late. He believes this approach is more realistic: and if the economy recovers from its current stagnation in the second half of the year, he is convinced Italy should consider a further financial package in early 1997. "Why not ask the Italians if they wish to be part of the first phase of monetary union to make one extra sacrifice?"

The possibility of introducing measures additional to the 1997 budget, outlined at L32,000bn, allows him to say Italy has not abandoned hope of being in the first group of countries to adopt the single currency. As it stands the 1997 deficit is scheduled to be 4.5 per cent of GDP (the Maastricht qualifying criterion is 3 per cent). But Mr Ciampi is expected to announce this month sharp cuts in spending authorisations which have not been utilised.

The key variable remains interest rates since each percentage point fall means the cost of servicing Italy's huge debt is cut by L15,000bn over 18 months. The Treasury has taken a very cautious view of the direction of interest rates (it is forecasting 8 per cent next year for 12-month Treasury bills, which were 8.8 per cent yesterday); but the Bank of Italy has made it clear to fight inflation it will continue with its tight money policy.

Gdansk shipyard awaits its financial saviour

By Christopher Bobinski in Warsaw

Management and trade unions kept up the pressure on the Polish government to salvage the troubled Gdansk shipyard yesterday as efforts continued to find a foreign strategic investor.

Mr Wieslaw Kaczmarek, the privatisation minister, met shipyard representatives yesterday as workers gathered to demand government action to save 5,000 jobs at the yard famous as the birthplace of Solidarity. But Mr Kaczmarek told them that there was only "a 30 per cent chance of finding an outside investor".

Mr Kaczmarek said three groups of investors had expressed an interest in the shipyard but only one, believed to be a group of Norwegian and German banks and shipowners organised by OJ Libaek, a Norwegian ship broker, had picked up an information memorandum on the yard.

The shipyard's problems came to a head earlier this year when state-owned Bank Handlowy refused to negotiate a debt reduction agreement and local banks cut the financing needed to build the 16 vessels worth $600m currently on order. The banks argue that completing the low-priced contracts would only deepen the yard's losses.

Mr Jerzy Borowczak, leader of the yard's Solidarity union branch, painted a dismal picture of the company's situation. "We are losing our best workers. Over the last couple of months numbers have fallen from 7,300 to 5,900 and those who have stayed are on half pay and working amid power cuts and a lack of the most elementary facilities," he said, referring to supply cuts by utility creditors.

Mr Ryszard Goluch, the yard's chief executive, is currently seeking government credit guarantees to raise a $13m loan to complete a 48,800dwt bulk carrier for East Asiatic, a Danish shipowner. Another $28m is needed is to build a 1,500 unit container vessel for Columbia, a Cyprus-based German shipowner.

"We mustn't allow the shipyard to die around us," Mr Goluch said yesterday. "We must have between 5 and 7 vessels under construction at any given time to keep the yard going." A business plan prepared by the yard foresees the establishment of a new shipbuilding operation which will use only 60 per cent of the present fixed assets and cut the workforce to 5,000.

Probe of Philip Morris's position in Italy

By Neil Buckley in Brussels

European Commission officials are investigating possible abuses of a dominant position in the Italian cigarette market by Philip Morris, the US tobacco company, and AAMS, the Italian state tobacco monopoly.

The competition authorities are concerned that the groups, until recently linked by a licensing agreement allowing the Italian monopoly to use some Philip Morris brand names, together control more than 90 per cent of the market.

Philip Morris's share has jumped from 29 per cent to 50 per cent in 10 years, while the monopoly's share has fallen from 65 to 43 per cent. "We have some questions about the way this duopoly functions," a spokesman said. "There is a series of very detailed questions going back 10 years."

Officials have written to AAMS demanding information on its contracts with Philip Morris and on its distribution activities in Italy within eight weeks – but a full investigation could be lengthy.

Article 86 of the Treaty of Rome gives the Commission the right to investigate dominant positions within the single market, and to order changes in agreements or impose fines if it finds abuses.

The Commission's attention was caught by the apparent "anomaly" that both the concentration of the market and Philip Morris's share were far higher in Italy than in nearby markets such as France and Spain. The US group's share in Spain is 16 per cent, and in France 28 per cent.

Manufacturers such as BAT and Reynolds had only 7 per cent of the Italian market last year – far less than in neighbouring countries.

Under Italian law, AAMS has exclusive right to manufacture cigarettes in Italy, exercised mainly through production company ATI, which manufactured 54,000 tonnes of cigarettes last year.

■ Mr Christos Papoutsis, the European Union's energy commissioner, is launching an extensive round of consultations of governments, gas suppliers and producers on the best way to liberalise the EU's gas market.

Following the recent ministerial agreement on opening the EU electricity market to cross-border competition, after eight years of talks, the commissioner hopes to take advantage of the political momentum to progress on gas.

Philip Morris results, Page 14

NEWS: INTERNATIONAL

Sanctions fan flames of Libyan discontent

A football riot takes on a political dimension as an oil-based economy comes under increasing strain

Libyan leader Colonel Muammer Gadaffi in his "Green Book" of esoteric theories on life and governance urges spectators at sports events to "participate". Last week a football crowd in Tripoli took him at his word and left between 20 and 50 people dead.

Security guards opened fire when the crowd chanted anti-Gadaffi slogans (which may have been directed at the colonel's sons attending the match), stormed the field, attacked the referee and spilled on to the streets to stone foreigners' cars.

Political analysts warn against jumping to conclusions about Col Gadaffi's hold on power after a case of football hooliganism took on a political dimension. But the riot points to rising frustration among Libyans as well as to overreaction by security forces.

The discontent is partly the result of a worsening economy, which could soon be exacerbated by new US unilateral sanctions on companies investing in Libya.

Opposition groups outside Libya have largely been ineffective in putting pressure on Col Gadaffi but a younger more vigorous group of Islamists, motivated by ideas of "holy war" against a leader they see as non-Islamic, have recently challenged the regime by causing frequent unrest in the east of the country around the port of Benghazi.

Mr Ashur Shamis, a London-based opponent of the Libyan regime who publishes the Arabic-language Libya News, says that although the Islamist campaign does not pose a threat to the regime, the militants have succeeded in raiding weapons depots. They are believed to belong to different groups, only two of whom have so far declared their existence by claiming responsibility for attacks. Earlier this month, the Libyan authorities announced that they would carry out military exercises in Jabal Akhdar (Green Mountain), an eastern area known to be an Islamist hideout.

The militants should have no shortage of recruits. Libya's nearly 5m population (including about 1.5m foreign workers) is growing at a rate of 3.6 per cent, according to the World Bank, and half this fast-growing population is under 15 years of age.

UN sanctions banning international travel and the sale of military, aviation and some oil industry equipment were imposed on Libya in 1992 after Col Gadaffi's refusal to hand over two suspects wanted in connection with the 1988 bombing of a US airliner over Lockerbie in Scotland.

The sanctions are a nuisance to both government and population. They have delayed some investment in the oil industry and contributed to a rise in inflation by increasing the cost of imports.

But it is Col Gadaffi's economic policies and the fall in oil prices that have led to a deterioration in day-to-day economic life. The country still receives some $7bn a year in oil revenues, but the funds have often been used in prestige projects that have created little employment.

Col Gadaffi's whimsical moods are such that he promotes the private sector one day, then closes private businesses a year later. Moreover, Libyans' purchasing power has been eroded by a decade-old freeze on public salaries at a time when the parallel exchange rate, quoted for much of what they buy daily, has plummeted.

What happens to the economy and the likely political fallout will depend in part on how international oil groups interpret the latest move by the US to tighten sanctions against Tripoli.

On the surface, US policy towards Libya appears as rigid as that applied to Iran, Washington's arch-enemy in the Middle East. The latest unilateral legislation passed by the US Congress gives President Bill Clinton the same broad menu of options with which to retaliate against foreign companies that invest in new projects. US officials also want to tighten UN sanctions. Closing loopholes in the oil equipment ban and identifying additional Libyan overseas assets which could be frozen are two steps that will be considered in the next sanctions review.

In addition Mr Clinton has told the families of the victims of the Lockerbie disaster that he supports a full oil embargo against Libya.

But the tough public line is not always repeated in private diplomatic discussions with US allies. This is especially so with those European countries whose companies are active in the Libyan oil sector, or which rely on oil imports from Libya.

The administration was noticeably silent during the recent congressional debate on adding Libya to legislation aimed at Iran. US officials say they fear that the imposition of more unilateral sanctions could undermine the multilateral regime, which they claim has been "fairly effective" in persuading Col Gadaffi to relent on the issue of handing over the two Lockerbie suspects for trial. Officials say the administration also recognises that there is no support at the UN for a full oil embargo.

But international oil companies operating in Libya have nonetheless been watching the latest US legislative moves with intense interest. Few believe that any new law would hamper them from developing existing reserves or discoveries.

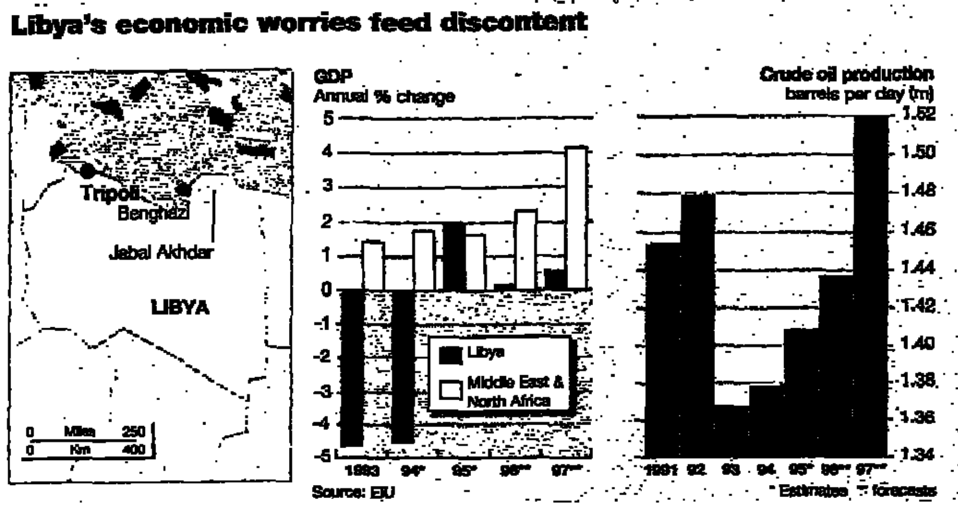
UN sanctions have, however, deterred some companies from entering Libya.

"The oil and gas sector in Libya is grossly under-invested," says Mr Jerry Kepes, an economist with the Petroleum Finance Company in Washington. He predicts that a sanctions-free Libya could double current oil production of 1.4m barrels a day within three to four years. But current levels of investment are only likely to keep Libyan output close to its Opec quota.

Western diplomats in Tripoli say it is premature to predict any serious upheaval in Libya. But the country is so dependent on oil that tighter US sanctions that cripple future investment will add to the economic pressure and heighten the discontent.

Roula Khalaf and Robert Corzine

Libya's economic worries feed discontent



Libyan leader Muammer Gadaffi: whimsical policies

Cairo hosts peace talks prior to Netanyahu visit

By Shahira Idriss in Cairo

President Hosni Mubarak of Egypt held talks in Cairo yesterday with Mr Abdul-Karim al Kabariti, the Jordanian prime minister, and Mr Farouk el-Shara the Syrian foreign minister, to discuss the Middle East peace process ahead of a visit by Israeli prime minister Mr Benjamin Netanyahu.

Mr el-Shara said he was delivering a message from Syria's President Hafez al-Assad to President Mubarak concerning "consultations and co-ordination between the two countries, and a follow-up of decisions made by the Arab Summit in Cairo." He declined to say whether he would ask President Mubarak to pass on the Syrian proposals to Mr Netanyahu, who arrives in Egypt tomorrow.

A number of issues have raised Arab concerns over the future of the Arab-Israeli peace process: the Israeli prime minister's rejection of the land-for-peace formula; negotiations on the future status of the city of Jerusalem; plans for the expansion of Jewish settlements in the West Bank; and a refusal by Israel to withdraw from the Golan Heights. The concerns have triggered a flurry of Arab diplomacy in an effort to co-ordinate a common Arab position.

Mr Yassir Arafat, the Palestinian president, refused to meet Mr Dore Gold, the Israeli prime minister's senior political adviser, following talks with the Egyptian president on Saturday.

In an effort to persuade Russia, the co-sponsor with the US of the peace process, to take a more active role, Mr Mubarak has sent a letter to President Boris Yeltsin via his envoy Mr Amr Moussa, the Egyptian minister of foreign affairs.

● Judith Goldenberg, a US Department of Defence official, was stabbed to death in Cairo Monday night as she was entering the Semeramis Inter-continental Hotel in Cairo.

Mr Rick Roberts, the press attaché at the US embassy, said there was no indication that Ms Goldenberg had been deliberately targeted. "That was a random act of violence, she was unfortunate... the wrong person at the wrong time," he said.

Egyptian police said the culprit was mentally disturbed and had been released from a psychiatric hospital on June 10. Ms Goldenberg had come to Cairo just four days ago on "temporary duty assignment" at the US embassy there as a replacement for staff taking summer holidays, Mr Roberts added.

In October 1993, at the height of violence by Islamic militants seeking to topple the Egyptian regime, a lone gunman killed five people at the same hotel. Police sources again said he was mentally disturbed.

INTERNATIONAL NEWS DIGEST

Riddle of camp's missing refugees

Some 2,000 Sudanese refugees have disappeared from a camp in northern Uganda after at least 90 were killed by Christian fundamentalist rebels last week. Uganda's defence ministry said yesterday the refugees had either been abducted or had fled in the wake of the attack. The ministry confirmed that the attack on Acholpii camp near the northern district of Kitgum was carried out by the Sudan-based Lord's Resistance Army, a group that wants to rule Uganda in line with the Biblical Ten Commandments.

Acholpii was home to 16,000 refugees, some of the 210,000 Sudanese refugees in northern Uganda who fled the civil war between southern rebels and Khartoum's Islamic-backed government. The ministry said Kampala had sent in troop reinforcements to deal with the biggest threat posed by the rebels since they began their war in 1987. *Reuter, Nairobi*

Iraq relents on weapons sites

International weapons experts have been able to inspect a number of sites that Iraq deems sensitive, a UN arms official in Baghdad said yesterday. The searches, which were not impeded by Iraq, were the first since Baghdad and the UN Special Commission (UNSCOM) defused a crisis over access last month.

Iraq and UNSCOM reached an agreement on June 22 for unconditional access to sites for UN inspection teams. The accord resolved Iraq's latest row with the UN Security Council over access to four Republican Guard facilities that Baghdad said were vital for its national sovereignty.

The sanctions on Iraq include a ban on oil exports. The removal of oil export curbs, other than limited sales permitted by UN for humanitarian purposes, largely depends on testimony by UNSCOM that all Iraq's chemical and biological weapons and long range ballistic missiles have been destroyed. *Reuter, Baghdad*

UK calls for action on terrorism

Britain is urging its Group of Seven partners to adopt a legal instrument laying down that those who abet, sponsor or incite terrorism should not benefit from the 1951 convention which guarantees the rights of refugees, UK officials said yesterday. The UK proposal – which would involve a tougher interpretation of the convention, but not an amendment – was being aired yesterday at a meeting of experts from the G7 in Paris.

The proposals have been prompted in part by British embarrassment at the presence in the UK of Mr Mohammed al Massaari, a Saudi dissident.

At the time of the bombing last month of a US Air Force personnel complex in Dhahran, Saudi Arabia, Mr Massaari appeared to sympathise with the bombers' motives while not condoning the attack. *Bruce Clark, Diplomatic Correspondent*

Two die in Somali faction clash

Two people were killed and five wounded yesterday by mortar bombs fired during a clash between rival Somali factions led by Mr Mohamed Farah Aideed and Mr Osman Hassan Ali Atto. Fighting between the two militias has killed 40 and wounded 65 in the Somali capital since July 9. Somalia has remained without a government since late dictator Mohamed Siad Barre was ousted from power in 1991.

Mr Aideed and his main rival Mr Ali Mahdi Mohamed, Atto's ally, both lay claim to the presidency of the country. *Reuter, Mogadishu*

NEWS: WORLD TRADE

E Europe investment grows strongly

By Frances Williams in Geneva

Foreign direct investment in eastern Europe continued to grow strongly last year, despite impending elections in several countries and economic uncertainties.

The latest FDI figures for the region compiled by the United Nations Economic Commission for Europe show that Hungary remains the favourite location for foreign investment, with an FDI stock of nearly $11.2bn in late 1995.

However, FDI inflows to Hungary appear to be slowing while those to other countries in the region are increasing rapidly.

Overseas investment into the Czech Republic, the region's second most popular destination for FDI, surged 86 per cent last year to total $5.6bn on January 1 1996.

The FDI stock in Russia, third in the investment league table, climbed by more than 50 per cent to $5.5bn at the beginning of this year, following a similar increase in 1994.

The stock of foreign investment in Ukraine jumped 67 per cent in 1995 to reach $750m on January 1 this year.

Figures for Kazakhstan, where the FDI stock rose 38 per cent in 1995, show that 45 per cent of total foreign investment of $2.6bn was in the mining sector, overwhelmingly in oil and gas extraction. Tobacco and metallurgy accounted for 37 per cent and 10 per cent respectively, with mining representing more than 90 per cent of all FDI in Kazakhstan to date.

Nearly 40 per cent of last year's investment went to domestic Kazakh enterprises in deals in which foreign companies were given management contracts.

In Croatia, foreign investment has been spread around many small companies. Germany is the biggest investor in the former Yugoslav republic, accounting for a third of the total FDI stock.

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Apec pledges to work for freer trade

By Bethan Hutton in Christchurch

Asia-Pacific trade ministers yesterday reaffirmed their commitment to further trade liberalisation and to working towards successful World Trade Organisation talks in December despite nagging bilateral trade disputes between members.

The closing statement of the two-day Asia Pacific Economic Co-operation forum stressed the group's commitment to "open regionalism in support of the multilateral trading system."

However, an official from the Philippines, which holds the Apec chair, said further discussion was needed over whether tariff measures proposed in individual action plans should be implemented on a most-favoured-nation basis, applying to all WTO members, or only on a reciprocal basis with non-members.

The meeting did not make significant progress in three sensitive items of unfinished business from the Uruguay Round : financial services, basic telecommunications services and maritime transport. Further negotiations are planned.

The US delegation was pleased with the response to a proposal for an information technology agreement (ITA) leading to zero tariffs on computers and telecommunications equipment.

"We made extraordinary progress," said Ms Charlene Barshefsky, the US trade representative. "There is widespread consensus among the members that this is an area that should be looked at."

Talks on the sensitive issue of semiconductor trade between the US and Japan failed to reach a conclusion and are expected to resume before the July 31 deadline.

The US wants a transitional arrangement involving government monitoring to prevent backsliding from the market share levels achieved under the 1991 chip agreement which expired at the end of July. The Japanese say US proposals amount to managed trade and are inconsistent with WTO rules.

Both the US and Japanese representatives held separate talks with the Indonesian trade minister over plans for an Indonesian national car. Leading car-producing countries are concerned that Jakarta's preferential tax treatment for the favoured manufacturer breaches WTO rules.

Brazil and Venezuela find togetherness

Long lost neighbours are developing strong links in trade and energy

As if only recently discovering that they are neighbours, Brazil and Venezuela are embarking on a fast-track towards energy and trade integration, leaving behind decades of geographic and political separation.

Though still modest for a combined market of 180m people and gross domestic product of more than $700bn, trade between the two countries has grown significantly in the past two years from a total $763m in 1993 to $1.3bn in 1996.

At centre stage of prospective bilateral trade is energy integration. Last year Venezuela exported 113,000 barrels of crude oil to Brazil, becoming its third largest supplier after Saudi Arabia and Argentina. "Brazil is the continent's industrial power. Venezuela is its energy power. It's a natural partnership which must be developed," says Mr Toro Hardy, director of Venezuela's state oil company PDVSA.

Mr Claus Graf, another PDVSA director, said Venezuela planned to supply Brazil with 450,000 barrels of crude a year within a decade.

Several of the dozens of potential trade and energy projects identified during the recent visit of Venezuelan President Rafael Caldera to Brazil are beginning to crystallise.

PDVSA and Brazil's state oil company, Petrobras, have agreed on a joint venture to construct a 200,000 b/d oil refinery at an estimated cost of $1.6bn-$2bn in northern Brazil. Negotiations are still under way to determine the participation of PDVSA, which, like Petrobras, is said to be hesitant to make large, front-load investments with long-term returns, thus opening the possibility of third-party investors.

"The market is there but it's a large investment and we're looking at its potential returns and mechanisms of financing," says Mr Ramon Espinasa, chief economist at PDVSA's planning division.

According to Mr Graf, the technical studies are ready and details should be agreed by the end of this month or early next. Yet to be decided is whether the crude oil, half of which would probably come from Venezuela's increasingly productive oil fields in the eastern states of Anzoategui and Monagas, would be shipped to the refinery by water or pipeline.

Advanced talks are also under way between the two state-owned electricity companies, Electrobras and Edelca, to tap the combined 13,000MW power-generating capacity of the Guri and Macagua hydroelectric plants on Venezuela's Caroni river.

Venezuela's Edelca has proposed a 1,600km transmission line across the border to Boa Vista and Manaus at an estimated cost of $450m. Brazil's initial energy demand for the region is estimated at 500MW and later at 1000MW.

An indication that trade relations, at least by land, are virtually beginning from scratch is the lack of even basic infrastructure. Hitherto cut off by the vast Amazon river basin, the two countries are to be connected by a proper paved road only next year, when a 450km stretch between Manaus and the frontier town of Boa Vista will be completed, thus linking by road two of South America's largest rivers, the Amazon and the Orinoco.

Construction of the road, which passes through a native Indian reservation, is to be financed by the Andean Development Corporation (CAF).

Yet despite rudimentary transport conditions, Venezuelan products shipped by land have begun to hit the markets of north-eastern Brazil. Trucks loaded with petrol, steel products, motor oil and cement embark on the two-day journey from Ciudad Bolivar to Boa Vista and then Manaus.

Brazil's north-eastern export potential lies in the Manaus free-trade zone, which, according to the Brazilian embassy in Caracas, accounts for 80-90 per cent of the country's electronics production and has an annual turnover of $10bn.

The economics of strengthening trade and energy links between southern Venezuela and northern Brazil make sense. Brazil's north-eastern states with an estimated 20m people are much closer to Venezuela's urban and industrial centres than Brazil's, and transport costs can be reduced significantly.

Caracas also has its sights set on business opportunities in the four-nation customs union Mercosur, which groups Argentina, Brazil, Paraguay and Uruguay. President Rafael Caldera said that negotiations allowing Venezuela's entry could conclude before the end of the year.

Other recent moves by Venezuela indicate the country is moving in to the centre stage of South America's energy integration, as outlined during the Americas Summit in Miami in December 1994.

Given that Venezuela's oil production will grow enormously in coming years, says Mr Espinasa, there is sufficient capacity to develop the Latin American energy markets.

Although only 3-4 per cent of PDVSA's output is currently being marketed in Latin America, Mr David Escojido, PDVSA's head of planning, foresees enormous growth potential in the region.

"It makes sense to supply those that are close to us and it's often a better deal for both," he says.

Raymond Colitt

WORLD TRADE NEWS DIGEST

US loses Nafta tariff dispute

A dispute settlement panel set up under the North American free trade agreement has dismissed a US complaint against import tariffs imposed by Canada to protect dairy, poultry and egg producers. The tariffs, some as high as 351 per cent, were introduced last year in line with Ottawa's commitments under the Uruguay Round of multilateral trade negotiations to replace quotas and other non-tariff barriers.

The tariffs, a linchpin of Canada's farm "supply-management" system, are due to be reduced by at least 15 per cent by 2001. However, the US contended the move violated Nafta, which prohibits new customs duties between the US, Canada and Mexico. According to a Canadian official, the five-member panel unanimously rejected the US arguments in an interim, confidential report.

The decision, which falls under Article 20 of Nafta rather than the more commonly used Article 19, cannot be subject to appeal. However, the two governments have been invited to submit comments within the next two weeks for the panel's final report, due in mid-August. *Bernard Simon, Toronto*

EU sets aside WTO complaint

The European Union yesterday decided to drop its request for a World Trade Organisation dispute panel following confirmation that the US had lifted punitive tariffs on nearly $100m of EU food and drink exports.

The tariffs, imposed in 1988 in retaliation for the EU's ban on hormone-treated beef, were scrapped with effect from Monday morning, US officials told a meeting of the WTO's dispute settlement body.

However, Brussels has not formally withdrawn its complaint and EU officials said yesterday the EU reserved its rights to reconvene the disputes body if necessary. Washington has already secured a WTO panel on the hormone ban which is widely expected to rule in its favour. *Frances Williams, Geneva*

Burma opens banking sector

Burma is now accepting proposals for joint ventures in the banking sector, a senior finance official said yesterday. Any of the 42 foreign banks which have a representative office in the country can join with one of the 15 domestic private banks to set up a new financial institution. The official said regulations governing the shareholding structure and scope of activities of these joint-ventures would not be issued, but rather proposals would be considered on case by case.

Two memoranda of understanding, one between Thai Farmers Bank and Asia Wealth Bank and another between Siam City Bank and Myanmar Citizen Bank, have already been signed but authorities have not received their proposals yet.

The official added that a new securities law, which would help the implementation of an over-the-counter stock market, was being submitted to the Attorney General's office today for consideration. *Ted Bardacke, Rangoon*

■ BICC, the UK-based cables and construction group, is to invest around $15m in a fibre optic cable plant to be established in Subic Bay Freeport in the Philippines. Mr Timothy Kaye, BICC planning director, has signed a contract with the Subic Bay Metropolitan Authority for the lease of a 1.1 hectare site. He said the factory would produce high technology cables for connecting and transferring data between computers. BICC's objective is to expand its cables business in the Asia Pacific region to sales of more than $760m by 2000. In 1990, sales in the region amounted to $122.5m and by 1994 turnover was $265m. *Alan Cane, London*

Budget deficit forecast drops to $117bn

By Jurek Martin in Washington

The Clinton administration forecast yesterday that the federal budget deficit in the current fiscal year, ending in September, will drop to $116.8bn, $29bn less than its previous estimate in March and nearly $50bn under the $164bn shortfall of last year.

The release of the mid-year economic review came from the White House just hours after government statistics had continued to show steady growth in manufacturing output allied to minimal inflationary pressures.

Industrial production rose solidly for the third consecutive month in June, by 0.5 per cent, the same as in May and only slightly below the 0.7 per cent advance of April.

Meanwhile overall consumer prices in June went up by 0.1 per cent, in spite of the largest jump in food prices in three years. Declines in the cost of energy proved a countervailing factor.

The revised deficit projections and the positive economic statistics come at a moment of extreme stock market nervousness, a potential source of concern for President Bill Clinton's re-election prospects. The administration was, therefore, keen to make much of yesterday's figures.

They were published just 48 hours before Mr Alan Greenspan, chairman of the Federal Reserve board, gives his half-yearly economic testimony to Congress. Market analysts expect him to hint at higher interest rates later in the year.

Ms Laura Tyson, head of the president's national economic council, said "markets do go up and markets do go down. The point of today's briefing is we have good news about the economy," she said.

Mr Leon Panetta, the White House chief of staff, described the lower deficit projections as "a victory not only for the president but for the American people". Officials said that a fourth successive annual drop in the deficit was an achievement unmatched since the Civil War.

Yesterday's estimates see a small increase in the deficit – to about $125bn – in the 1996-97 fiscal year, but steady declines thereafter to a projected small surplus in 2001.

They also project real economic growth from the fourth quarter of last year to the same period this year at 2.6 per cent, up from 2.2 per cent in the March projections. Consumer prices rises are forecast at 3.2 per cent this year, up a little from the 3.1 per cent estimate of March.

Cuban compromise postpones wave of lawsuits

It was a decision which on the one hand would have alienated US allies around the world or on the other have provided valuable ammunition for President Bill Clinton's political opponents in November's presidential election. In the end, he resolved his dilemma over a hotly-debated anti-Cuba law yesterday with a piece of presidential fudge.

The Helms-Burton Act, named after its Republican congressional sponsors, was signed hurriedly by the president after the shooting down of two US light aircraft by Cuban MiGs in February.

The act, which allowed lawsuits against foreigners dealing in assets confiscated in Cuba since 1959, brought threats of retaliation from US trading partners, whose companies could have faced costly actions in US courts.

Yesterday's decision had Washington lawyers and diplomats desperately seeking clarification. Their initial impression was that Mr Clinton had found a solution that would allay a damaging dispute with US trading partners but soften the attacks from opponents claiming presidential weakness in confronting the Cuban leader, Fidel Castro.

It means the act's most controversial section – Title III – will go into effect on August 1. Foreigners who continue to "traffick" in confiscated assets three months after this date will be deemed to be causing damage to US nationals who owned or benefited from the properties before confiscation.

However, the decision means the right to sue does not come into effect as expected on November 1, but is suspended until February 1, when it may be waived again for further six month periods. Lawyers warn this compromise, which appears to establish damage but denies the right to sue to correct it, could leave the administration open to many messy legal challenges.

Before Mr Clinton signed the bill into law in March, the White House insisted on retaining authority to delay or suspend implementation of Title III for six month periods if "necessary to the national interests of the US and will expedite a transition to democracy in Cuba".

Threats of retaliation from abroad gave Mr Clinton a strong case in exercising his waiver rights on grounds of national interest. Presumably to strengthen the argument that the decision will hasten democracy in Cuba, the administration also said yesterday it would use the six months to negotiate a tougher stance towards Cuba from US allies.

Other governments will not be pleased at this, but their dominant response is more likely to be one of relief that the possibility of lawsuits – some estimates suggest up to 400,000 could be generated if the right to sue became effective – has been allayed at least for now.

Whether the decision will be enough to defuse Cuba as an election issue is another matter. Mr Clinton's decision to sign the bill in the first place boosted his stock among Cuban-Americans in their biggest concentrations, in Florida and New Jersey.

Both are important electoral states in the presidential race. Mr Clinton currently holds a 20-point lead in New Jersey but Florida is a must-win state for Mr Bob Dole, the presumed Republican nominee. Recent polls show the two running very close to each other and the competition for the Cuban vote in the state is intense, as witnessed by Mr Dole's condemnation of the president's decision yesterday ever before the announcement was made.

Along with Canada, Mexico and the European Union, US business organisations had reacted with alarm, urging the president to suspend Title III for six months. Mr Todd Malan of the Organisation for International Investment yesterday praised Mr Clinton for confronting "a tough political climate" but demonstrating that "he really understands the economic consequences and what a disaster full implementation of this law would have meant".

Congressional pressure to proceed with Title III has equally fervent. Mr Dole yesterday blamed Mr Clinton for "continued indecision until the last possible moment" because he is "rudderless when it comes to standing up for American principles".

To pacify the Cuban-American lobby, the State Department has made a show of implementing another provision of the act which bars executives of "trafficking" companies and their families from entering the US. Three companies were initially warned of action: Sherritt International, a Canadian mining company; Grupos Domos, a Mexican telephone company; and Stet, the Italian telecommunications monopoly.

If the president does allow suits to go forth – and once the election is out of the way and assuming he is re-elected it is not likely – then about 700-800 US citizens and companies whose Cuban holdings were confiscated could file suits. After August 1, 1998, an estimated 430,000 naturalised US citizens of Cuban origin and their families could file suits. Total claims could exceed $100bn according to Mr Sherman Katz, a Washington lawyer.

Nancy Dunne and Stephen Fidler

Dole picks moderate for keynote speech

By Jurek Martin in Washington

Mr Bob Dole, battered yesterday with more bad polling news, has taken the gamble of further alienating his rightwing by picking an abortion rights congresswoman to deliver the keynote address at next month's Republican party convention.

The presumed Republican nominee also confirmed that Governor Tom Ridge of Pennsylvania, also pro-choice, has been interviewed by campaign aides as a possible vice presidential running mate. His name had not previously surfaced in speculation about Mr Dole's short list.

Mr Dole's moves, revealed in a Monday night TV interview, are further evidence of his growing concern that he needs to broaden his appeal in order to launch an effective challenge against President Bill Clinton's re-election.

Yesterday, the New York Times/CBS poll reinforced the evidence of an MSNBC survey out on Monday. It had Mr Clinton's lead back up to 20 points (54-34 per cent) and also found Mr Dole hurt worse than the president by Mr Ross Perot's entry into the race. A three-way race gave Mr Clinton 49 per cent, Mr Dole 27 per cent and the 1992 independent candidate 16 per cent.

Bob Dole facing his TV host before being interviewed on the Larry King Show on Monday night. With him are his wife, Elizabeth, (right) and the show's floor manager. Picture by AP

Both polls found 70 per cent of those surveyed now believing, regardless of their political preferences, that Mr Dole would lose in November. They suggest that the presidential candidate could drag down the Republican party's congressional chances to the point that control of the House and Senate might be lost.

Mr Dole is also experiencing a terrible press at present – and not just from the liberal media. The Washington Post yesterday quoted extracts from recent opinions by conservative commentators, ranging from "can you think of a worse presidential campaign?" (Mr George Will) to "he doesn't have a clue" (Mr Charles Krauthammer).

Even the choice of Congresswoman Susan Molinari from Staten Island, New York, to deliver the convention keynote address was announced almost casually. It certainly came as a complete surprise to Ms Molinari herself, who was beeped at a restaurant by a friend with the news.

Married to Mr Bill Paxton, another Republican congressman from New York, she is one of the very few moderates on the House Republican leadership team under Mr Newt Gingrich, the Speaker. Middle-of-the-road Republicans have been recovering their voice and Ms Molinari, always outspoken on abortion rights, has been a clear leader in demanding the party become more inclusive in its appeal.

But Mr Dole's nod in her direction, together with Governor Ridge's appearance on the vice presidential short list, is certain to annoy religious and cultural conservatives. Over the weekend, Mr Pat Buchanan, who will have delegates won during the primaries at the convention, broke a period of unaccustomed silence by warning he would not be mute in San Diego.

Hard times for Brazil's smokers

By Jonathan Wheatley in São Paulo

Brazil's 30m smokers have a new burden on their consciences. From yesterday, anyone who smokes in an enclosed place is not only endangering their own health and that of those around them; they are also breaking the law.

Fortunately for the smoker, nobody is likely to do anything about it. But the move, which adds to existing restrictions, could pave the way for one of the world's most rigorous anti-smoking regimes.

A law approved by congress last month and sanctioned by President Fernando Henrique Cardoso on Monday bans smoking "in any enclosed place, public or private, except in areas designated specifically to that end and duly isolated and ventilated". However, it does not set any penalties. Until these are introduced, probably by state or municipal laws, smokers are unlikely to suffer any new legal consequences of their habit.

"This is a big step forward," said Congressman Elias Murad, who drafted the law. "We already had some restrictions, but this law leaves no doubt that smoking in any collective area, including the workplace, is prohibited."

Public or private sector companies which let their employees smoke must provide smoking rooms.

However, the law could be interpreted more strictly in the courts. "The law is drastic in that it covers all areas where people meet outside the home," said Mr Celso Bastos, a São Paulo lawyer. "And it is quite clear that smoking areas have to be for smoking only. That means no smoking in bars or restaurants."

São Paulo has taken a lead in anti-smoking laws, banning smoking in supermarkets, churches and other public places. A ban in the city's bars and restaurants was overturned by a state court in April but is due for review.

The new law also bans TV and radio tobacco advertising between 6am and 9pm. Advertisements must carry a health warning – many already do under an industry agreement – and may not associate smoking with youth, sexual attractiveness or "Olympic" sports (motor racing, for example, is unaffected). In this area, the law does set deterrents: advertisers face penalties ranging from fines to seizure of goods.

US death sentences 'racist'

The respected International Commission of Jurists said yesterday death sentences in the US were arbitrary and weighted against blacks, Reuter reports from Geneva.

In a report by four judges and lawyers who visited several US states earlier this year, the ICJ said obligations taken on by Washington under international human rights and anti-discrimination accords were largely unfulfilled.

The report said administration of death sentences in the US was "arbitrary, and racially discriminatory, and prospects of a fair hearing for capital offenders cannot ... be assured".

The commission said the report "provides a disturbing account of the difficulties involved – even for a country which is regarded by many as the world's leading democracy and protector of basic individual rights and freedoms – in ensuring the implementation of the death penalty is in accordance with accepted international norms."

The ICJ mission's members – jurists from India, Sweden, Nigeria and Australia – said 40 per cent of the people executed in the US between 1973 and 1995 were black.

Overall, the report said, 44 per cent of the US prison population was also black, although Americans of African origin accounted for only 6 per cent of the total population.

Dominican Republic braces for a political break with the past

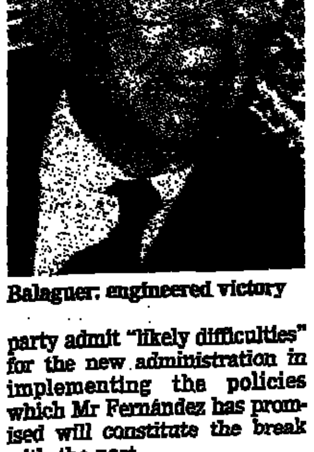
But, with the outgoing president in the wings, it may not be quite the one the president-elect has in mind, writes Canute James

Mr Leonel Fernández, president-elect of the Dominican Republic, has promised a break with the past – but it may be one that is more to do with the limits of his own power than anything else.

In six weeks he succeeds Mr Joaquín Balaguer who is retiring after dominating the country's politics for three decades. The ultra-conservative Mr Balaguer, aged 89, has run the presidency much as did his mentor, General Rafael Trujillo, a dictator who also ruled for 30 years. But Mr Fernández, aged 42, will not be able to rule by fiat as they did. His stated intention to "modernise" the country's highly politicised and frequently corrupt institutions will have to be tempered by the continued force Mr Balaguer is likely to be in this Caribbean state of 7.5m people.

The manner in which the outgoing president engineered Mr Fernández's victory is instructive. After the first round of voting in May, Mr José Francisco Peña Gómez of the Revolutionary party, having won more votes than Mr Fernàndez, looked set to be Mr Balaguer's likely successor. The candidate of Mr Balaguer's Reformist party, who was not favoured by the president, came third. The president threw the Reformist votes behind Mr Fernández, amid claims by aides to Mr Peña Gómez, who is black, that the move was openly racial.

Mr Fernández is his "own man" say the president-elect's aides, and has made no concessions to Mr Balaguer in return for his support. Yet senior functionaries of Mr Fernández's centrist Liberation party admit "likely difficulties" for the new administration in implementing the policies which Mr Fernández has promised will constitute the break with the past.



Balaguer: engineered victory

The Liberation party has a minority presence in the legislature, and will have to depend on the Reformist law makers who are expected to continue obeying the instructions of Mr Balaguer. The success of Mr Fernández's "modernisation" of the country will be determined by these legislators who have been slow and often clearly reluctant (because Mr Balaguer was) to implement many of the economic reforms to which the administration was publicly committed.

The first test of Mr Fernández's ability to overcome the legislative hurdle will be the treatment of a law which has been before Congress for the past two years under which the debt-ridden state-owned power company will be broken up and privatised. Meanwhile prolonged and frequent power cuts have hobbled business and industry, deterred investors and affected schools and hospitals. The reluctance to pass the legislation is based on concern that the "national patrimony" should be protected.

Moves to clean up the equally inefficient state-owned sugar company will raise similar concerns.

Mr Antonio Espín, a former president of the Association of Industries, said this had been a lost year for the Dominican economy. While Mr Fernández's administration takes office "the legislators will not do anything, and the economic and productive sectors will be set back. We hope that by 1997 somebody will responsibly make the decisions that the country needs."

Mr Fernández will have to steady an economy which has been expanding in recent years, but which has sputtered this year, mainly because of political uncertainty. The economy, based on tourism, mining, agriculture and light manufacturing, expanded by 4.8 per cent last year, faster than the previous year, according to the central bank. Income from tourism last year was mainly responsible for covering a merchandise deficit of $2bn. Relative stability of the peso helped to keep inflation last year to 9.2 per cent, against 14.3 per cent a year earlier.

Meanwhile, the new president will be under pressure to complete a part of his predecessor's legacy – hundreds of kilometres of unfinished highways and bridges, and four hospitals in one city block, all at a cost to a budget which is already stretched.

Mr Fernández will be pressed also to indicate that he represents change by taking his zeal for "modernising" the country to institutions such as the judiciary and the security forces, which have been much influenced by Mr Balaguer's highly personalised and often direct rule.

Mr Fernández has been promised a three-month political honeymoon by Mr Peña Gómez, after which the Revolutionary party will look critically at the new administration.

But Mr Peña Gómez's political future is uncertain. Foreign observers and local parties agreed that Mr Peña Gómez would have been the president in 1994 had not an election tainted by corruption given Mr Balaguer victory by less than 1 per cent of the vote. The criticism led to reforms which forced Mr Balaguer's retirement and the reduction of his term by a half.

Having lost to Mr Fernández, Mr Peña Gómez appears uncertain whether to keep his promise to leave representative politics. The decision may be made by his lieutenants who are lining up to replace him.

ASIA-PACIFIC NEWS DIGEST

Budget warning for Australia

Plans by Australia's coalition government to slash A$8bn (£4.1bn) from federal *spending over the next two financial* years might not be sufficient to achieve a balanced budget, Mr Peter Costello, federal treasurer, warned yesterday. This pushes the date for a balanced budget to 1998/9, a year later than the treasurer was predicting immediately after the March *2 election which swept the Liberal-National coalition into* power.

But Mr Costello still appeared to rule out any rethink of the government's campaign pledge not to raise taxes, or introduce new levies. The treasurer's comments came as official figures showed Australia ran up a A$10.3bn "underlying" federal budget deficit during the 1995/6 fiscal year, which ended on June 30 – A$1.3bn more than previous Treasury forecasts. The deficit equals 2.1 per cent of GDP. The "headline" deficit, which allows for asset sale proceeds, stood at A$5bn, against the A$280m predicted in March. *Nikki Tait, Sydney*

Beijing threat over Dalai Lama

This week's visit by the Dalai Lama to the UK would have "adverse effects" on bilateral relations, China has warned. The Tibet group of the UK parliament, which had invited him, was supporting and abetting his efforts to split Tibet from China, Mr Cui Tiankai, foreign ministry spokesman, said. But Beijing's response was moderate compared with its protest after the Tibetan leader's recent visit to Germany and the accompanying resolution of support from the German parliament. This time, *China's irritation is not expected to* last.

The Dalai Lama is today due to meet Mr Malcolm Rifkind, foreign secretary, though the foreign office described his visit as private. The UK has long said Tibet should have more autonomy, though it does not support moves for its independence. The Dalai Lama yesterday repeated he was not seeking full independence and offered to negotiate with China without preconditions. *Peter Montagnon, London*

Deng's health good, says China

China yesterday tried to end rumours that its ageing patriarch Deng Xiaoping was near death. A foreign ministry official said Mr Deng was in good health; it was hoped the rumours would not be allowed to disrupt his "peaceful life after retirement". *Mr Deng, 92 in August, has not been seen in public since* 1994. His health and whereabouts have been the subject of intense speculation, especially in the Hong Kong and Taiwanese media. Some reports claim he is in intensive care and hardly conscious; others say he is in southern China, ready to go to Hong Kong for the handover in 1997. *Sophie Roell, Beijing*

New Hong Kong trade chief

Mrs Regina Ip, Hong Kong's director-general of trade and industry, will take over as director of immigration following the surprise resignation of Mr Laurence Leung earlier this month, the Hong Kong government announced yesterday.

Mr Leung's departure from one of the most sensitive government posts ahead of Hong Kong's return to Chinese sovereignty next year has prompted controversy and fuelled *concerns about stability in the civil service.*

The government has refused to say why the usual one-year notice was waived and why Mr Leung was allowed to retire early. Mr Francis Ho, deputy secretary for trade and industry, will succeed Mrs Ip.

Businessmen expressed regret at her departure, citing her defence of commercial interests. *John Ridding, Hong Kong*

Four die after 4,000 Japanese children struck by bacterium first traced to eel sushi

Tokyo unit to tackle food poison deaths

By William Dawkins in Tokyo

The Japanese government yesterday *set up a crisis unit to curb the worst* outbreak of food poisoning in the country's history, after four people died and more than 4,000 children were made ill.

A panel of senior officials of the health and education ministries was convened by Mr Ryutaro Hashimoto, the prime minister, in the face of growing public alarm over the mysterious outbreak in schools in five prefectures across Japan.

The mass poisoning has jolted the nation's faith in its own hygiene, an element of the Japanese respect for purity, and has been at the centre of national concern for several days.

Producers of household sterilising products yesterday reported panic buying, as consumers all over the country sought to cleanse their homes and protect themselves against infection. Procter & Gamble Far East said sales of liquid soap had risen by 30 per cent and some stores had run out of stock. Kao, the Japanese home products group, reported a 50 per cent rise in bleach sales.

The illness is caused by a bacterium known as E coli 0157, a poisonous form of a bug that lives naturally in human intestines. It adds a sombre dimension to a former trade minister's contention that Japanese innards have *unique* qualities.

The outbreak began in schools in Okayama, southern Japan, in May and took hold early this month in Sakai, a middle-sized town in the Osaka area, where 1,300 cases have emerged. The outbreak accelerated in recent days with the onset of a heat wave.

Health officials have traced the first cases to eel sushi – a popular summer dish of raw uncooked eel – in the boxed lunches which are the staple fare for schoolchildren and office workers everywhere.

The bug is found in undercooked meat, poultry, dairy products and water. Symptoms include severe stomach pain, diarrhoea, bleeding and kidney damage. So far, 207 children have been confined to hospital and around 90 schools – attended by 50,000 students – closed for disinfection.

Health ministry officials were yesterday checking sanitary procedures at suppliers of raw materials for the lunches to the schools concerned. In most cases, schools make up lunches from food supplied by wholesalers. The ministry is also preparing tougher sanitary measures in an attempt to curb the outbreak. "We have to keep vigilant," said Mr Mikio Okuda, education minister, who *has called* for tougher school food inspection rules.

The bacterium was first detected in Japan six years ago, when two children died and 270 were made ill from *contaminated* well water. Over 1,800 cases were recorded until this latest outbreak, confined to small areas, rather than emerging throughout Japan. It was first *detected* in the US in 1982, when hundreds were made ill by tainted hamburgers.

Seoul to raise $25bn for transport hub

By John Burton in Seoul

The South Korean government yesterday approved financing plans for the construction of five massive infrastructure projects costing $25bn (£16bn) by 2001.

The projects, aimed at transforming South Korea into a transport hub for north-east Asia, include what would become the country's biggest *international airport*, a high-speed rail system, and three container ports.

"The five projects will be given top priority in financial and administrative considerations," said Mr Lee Heon-sook, assistant minister for transport policy.

The central government will provide $10bn raised from privatising the state tobacco and telecom companies and collecting a transport surtax. Another $11.5bn will be financed by public corporations in charge *of the projects through over*seas borrowing. Private contractors are expected to provide $3.5bn. Construction companies have been reluctant to participate because of unfavourable returns on investments but the government said it would improve conditions for participating companies.

Contractors will be allowed greater access to cheap foreign loans, which are usually restricted by the government. They will also enjoy tax breaks on infrastructure investments.

The infrastructure projects are meant to ease the country's overburdened transport system, which is being blamed for a sharp rise in production and *distribution costs. Current* logistical costs are estimated at $61.5bn, or 16 per cent of gross domestic product

The biggest project involves construction of an international airport, which is scheduled to be opened in 2000, on reclaimed land off Inchon.

A high-speed rail system to link Seoul with the south-east port city of Pusan is expected to be completed by 2002.

The biggest harbour project will be on Kadok island off Pusan, consisting of a con*tainer terminal with 24 berths* by 2011. The terminal will be the world's third largest after Hong Kong and Singapore. Two other container terminals will be built at Kwangyang on the south-west coast and Asan on the west coast.

Vietnamese debt tarnishes decades of comradely ties

The stalemate over repayment of roubles to Moscow is likely to dominate relations with Hanoi for years. **Jeremy Grant** reports

It is late afternoon at the Technocentre, a vast Soviet-built compound in a dusty suburb of Hanoi. The place is deserted, but for a Russian couple playing tennis and a few Volga saloons in the car park.

In the heyday of Communist ties between Moscow and Hanoi, the complex was planned as a showcase vehicle repair base designed to house *about 300 Soviet "experts".*

But the Soviet Union disintegrated before they arrived to take up their posts. Five years later, the two governments still cannot agree on what should become of its 80 apartment blocks, garages and unused offices.

Meanwhile, the Russians earn extra cash by renting some of the flats to South Korean businessmen.

Decades of comradely ties may have left their mark on Vietnam architecturally as *well as linguistically – thou*sands of Vietnamese speak Russian – but they have done little to help the two countries forge a new partnership based purely on business. Nor have they provided a way out of the issue that divides them most – debt.

Soviet legacy: Children play on Hanoi's Lenin statue. Sarah Murray

Russian businessmen and diplomats often complain privately that doing business with Vietnam was always tough. But times have changed.

Strategically, Vietnam is no longer important to Moscow as a socialist outpost in south-east Asia. For its part, Hanoi is more interested in fostering ties with richer partners such as the US, the European Union *and the Association of South* East Asian Nations (Asean), which it joined last year.

"Nowadays we can't regard Vietnam as a strategic partner for the Russian Federation. The relationship has changed from fraternal to... friendly," Mr Rachit Khamidulin, Moscow's envoy to Vietnam since 1990, observes drily.

Yet the Soviet legacy is very much in evidence. A statue of Lenin still stands in a park opposite Hanoi's military museum. A few streets away, *tourists shop for cheap Rus*sian watches bearing the hammer and sickle insignia.

Vietnam's largest power station, the Hoa Binh ("Peace") plant, still supplies most of the country's electricity. Of the roughly 8,000 Soviet citizens stationed in Vietnam before 1991, about 2,400 remain, most employed at the a Russo-Vietnamese oil exploration joint venture which produces most *of Vietnam's crude oil.*

At Cam Ranh Bay, a large naval facility on the southern Vietnamese coast that once gave the Soviet fleet strategic access to the South China Sea, the Russians still maintain a few hundred personnel.

Much of the debt that divides them is tied up with some of the showcase projects that Moscow so enthusiastically supported in the past.

Vietnam has cut separate debt deals with most of the former Soviet republics, leaving *about Rbs10.5bn owed* to Moscow, which amounts to just £1.32m at the present exchange rate. The problem is that neither side can agree on an appropriate dollar-rouble exchange rate, needed before a rescheduling.

The Russians say one dollar is worth 0.73 roubles, a benchmark used by the former Soviet central bank. This puts the total owed at about $17bn, dwarfing Vietnam's commercial – or London Club – debt of $900m.

Russian negotiators have tried to bolster their case by referring to a somewhat arcane gold marker used in Soviet credit documents, valuing one rouble at 0.98 grammes of pure gold.

However Vietnam has a radically different approach. It has not yet come out with a rate but refers instead to debt agreements signed last year with Hungary and Germany as precedents. The rates agreed in those deals were Rbs5.5 and Rbs6 to the dollar respectively, which the Vietnamese say puts the Russian debt at about $1.5bn.

Every three months or so, delegations of specialists from Moscow arrive for talks in Hanoi.

But there is still stalemate, despite an offer made in January by Moscow to write off about half the debt on condition that Hanoi agree to its exchange rate terms. A latest round of talks set for April was cancelled by the Vietnamese without explanation.

"The Vietnamese offer has no scientific base. I understand that this problem is rather difficult and it will not be decided soon, but we are ready to talk and compromise," says Mr Khamidulin.

The World Bank and International Monetary Fund are increasingly anxious to see the matter settled soon, but analysts say the gulf will take years to close.

"It will continue to cloud the country's credit profile," said Hong Kong-based Peregrine Brokerage in a recent report.

The debt problem is likely to dominate bilateral relations in the next few years, but arms sales will also play a significant role, at least between the two countries' defence ministries.

Diplomats say this is one area that appears to have been unaffected by domestic political change in Moscow.

Military ties seem as warm as they have been for much of the last 20 years, during which Moscow supplied the Vietnamese army with most of its hardware.

Indeed, this warmth occasionally spills over into other areas. Some state-run newspapers in Vietnam followed *the electoral fortunes of Mr Gen*nady Zyuganov, the Communist candidate in the Russian presidential election, with considerable zeal. One even referred to him as "Comrade".

Meanwhile, someone at the Russian embassy in Hanoi has forgotten to reprogramme the fax machine to take account of changed times. The imprint at the top of all its faxes still reads: "USSR Embassy".

Conflicting interests sharpen in Philippines Moslem zone

By Edward Luce in Manila

Political opposition to a Moslem autonomous zone in the southern Philippines intensified yesterday as government ministers threatened to sack local officials for flying the national flag at half-mast.

Opposition from Christian local government officials, who this week stepped up campaigning against the deal agreed last month between the Moslem community and the Philippine government, has however been countered by strong support from private-sector groups with investments in the autonomous region.

Covering most of Mindanao, the country's second largest island, and the islands of *Palawan, Sulu and Basilan, it* contains roughly 50 per cent of the Philippines' rich gold and copper reserves and a large portion of the country's growing *agribusiness sector.*

Encompassing 14 provinces and nine cities, the zone covers about 25 per cent of national territory with a population of *8m, about* half of whom are Moslem.

Under the deal, Mr Nur Misuari, head of the Moslem Moro National Liberation Front, which has been fighting government forces since 1972, would become chairman of the autonomous council for three years, after which a plebiscite would be held to determine which provinces would be included in a permanent autonomous structure.

"We welcome any moves towards peace and stability in Mindanao," said Mr Juan Bernard, vice-president of Aboitiz Equity Ventures, which distributes electricity in Mindanao.

"Electricity sales are growing by over 10 per cent a year in Mindanao, so *anything* that will strengthen stability will give a boost to what is a potentially fast growing part of the country." Other investors, including Del Monte, the fruit company, and Ekran Berhad, the Malaysian group building a luxury resort in Mindanao, are reported to have welcomed moves to settle the long-standing conflict that has claimed an estimated 50,000 lives since 1972.

As the Philippine portion of the East Asian Growth Area (Eaga), a free-trade "growth triangle" which also includes *parts of* Malaysia, Indonesia and Brunei, Mindanao is considered the Philippines' strongest economic link to the country's Moslem neighbours.

"The move towards a negotiated autonomous zone will be a big plus point for Eaga," said Mr Ernesto Pernia, an economist at the Asian Development Bank in Manila.

"Mindanao is potentially a big investment destination; so private investors will strongly support moves towards a final settlement of the conflict."

Government economists say Mindanao has attracted $1bn (£666m) in pledged and actual investments since peace talks started in the early 1990s.

Companies such as Petronas, *the Malaysian* state oil company, which is surveying for oil on the southern island, and Western Mining Corporation, the Australian resources group prospecting for gold, are expected to step up investments once the deal is in place.

Achieving the deal has been a *long-standing priority of the* administration of President Fidel Ramos. Mr Ramos has said he will take a strong stand against extremist Christian opponents of the *autonomous* zone.

In a twist considered unimaginable 12 months ago, Mr Misuari will campaign under the banner of the ruling Lakas party in the autonomous elections to be held in September.

Scientists find gelatine and tallow exports may fail tightened safety standards

New research may prolong beef ban

By Neil Buckley in Brussels, Lionel Barber in Strasbourg and Roderick Oram in London

New scientific evidence could delay the lifting of the ban on exports of gelatine and tallow derived from UK beef, the European Commission warned yesterday.

Although agreement on lifting the ban was reached last month, it remains in place because the conditions attached – including stringent processing standards designed to destroy bovine spongiform encephalopathy or mad cow disease – have not been met.

But analysis of research into the safety of gelatine manufacturing has suggested that even those conditions may not be strict enough.

The commission's BSE subgroup has already expressed concern about the findings, which will be discussed further by the commission's scientific veterinary committee within the next few days.

If these and European Union states' specialists in the standing veterinary committee agree that standards need to be tightened, officials warned that last month's decision to lift the gelatine ban could be revoked, pending agreement on new conditions. Although that would not delay the process of lifting other elements of the worldwide ban on exports of UK beef and beef products, it would be a political setback for the UK government.

The immediate impact on the gelatine industry may, however, be limited. Gelatine makers are still some way from meeting other conditions for lifting the ban, and have switched to using non-UK beef.

Mr Jacques Santer, the president of the European Commission, yesterday rejected charges that the Brussels executive covered up the risks of BSE through disinformation.

He told MEPs in Strasbourg that an internal memo, warning that some people in the commission and member states were trying to suppress the first cases of BSE, was a spoof.

Mr Santer was reacting to a letter from Mr Klaus Haensch, the president of the European parliament, which called for a response to reports that the commission and EU veterinary experts were aware as early as 1990 of the risk of BSE spreading to humans.

● A glut of frozen peas and ice cream is hampering UK government efforts to find commercial cold storage for the carcasses of thousands of cattle being slaughtered under its beef-cull scheme. The wet summer has depressed demand for ice cream and manufacturers have about 10,000 tonnes more in cold storage than at this time last year. A 20 per cent increase in the pea harvest has also increased pressure on cold storage space.

Owners of cold stores say that at least 90 per cent of capacity is in use and are warning that space available for beef could run out within two months.

Pentagon urged to back Lockheed

By Bernard Gray, Defence Correspondent

Intensive negotiations are going on in Washington in an effort to persuade the Pentagon to back Lockheed Martin's bid for the £2bn ($3.12bn) programme to replace UK maritime patrol aircraft.

Lockheed is pressing the Pentagon to write to the UK Ministry of Defence saying that if the UK buys the Orion 2000, which Lockheed is developing with GEC, then the US will back the aircraft for its replacement maritime patrol needs.

Currently British Aerospace is leading the competition with its proposal to update the existing Nimrod jets, and its bid has strong support from the MoD.

However, officials close to the Lockheed programme say that a letter backing the Orion could be drawn up for signature by Mr William Perry, the US defence secretary, or even President Bill Clinton. The letter could commit the US to establishing a joint liaison office on maritime patrol, with the intention of making the Orion 2000 a joint US-UK programme.

If the US bought Orion, it would produce substantial export business for GEC, which would make the electronic anti-submarine warfare system that forms the heart of the aircraft.

However, the Lockheed-GEC team has several hurdles to clear before it can win a Pentagon endorsement. The Pentagon has restrictions which bar it from commiting Congress to long-term expenditure on particular programmes.

Any letter is thus likely to be encouraging rather than legally binding. Such offers may not impress Mr Michael Portillo, the UK defence secretary, who has been looking for the US to increase the amount of defence equipment it buys from the UK, to balance British purchases from the US.

The proposed letter may be too late to affect the competition, as the MoD intends to announce the result of the competition before parliament rises on July 25.

Lockheed and GEC have also offered further price cuts and increased work in the UK if the MoD delays a decision for details to be worked out.

The Treasury has seized on such offers as a reason to delay announcements on the aircraft and two missile contracts until the autumn. Mr William Waldegrave, the chief secretary to the Treasury, is thought to want to cut the MoD's budget. However, Mr Portillo is fighting for an early announcement.

PSBR growth at odds with forecast

By Robert Chote and Gillian Tett

Mr Eddie George, the governor of the Bank of England – the UK's central bank – yesterday confessed himself "uncomfortable" about the state of the government's finances, as official figures showed that core public sector borrowing has been outstripping last year's levels.

The governor also warned the Treasury select committee that the 4.25 per cent growth in consumer spending forecast by the Treasury for next year could not be sustained for long without threatening the government's inflation target.

"At some point it would mean that monetary policy would need to be tightened," he told MPs. He added that the Bank thought inflation would be "somewhat higher" beyond the end of 1997 than the Treasury's summer economic forecast implied last week.

The governor's stance implies that he and Mr Kenneth Clarke, the chancellor, might disagree again when they discuss interest rates in two weeks. Economists believe Mr Clarke may push for another cut, which the governor would almost certainly resist.

The government had to borrow £3.6bn ($5.61bn) last month to cover the shortfall between its spending and tax revenue, according to the Office for National Statistics. This was slightly up on the same month a year ago and higher than City economists had predicted.

Excluding privatisation proceeds, the public sector borrowing requirement has totalled £12bn in the first three months of the financial year, up from £11.3bn in the equivalent period of 1995-96.

This means that Mr Clarke is not yet on course to hit his target for government borrowing for this financial year, which he raised by £4.5bn only last week to £26.9bn. Last year the PSBR totalled £32.2bn.

Ms Angela Knight, the economic secretary to the Treasury, yesterday insisted that the government was still on target to meet its borrowing forecast. But many economists are not convinced.

Mr Geoffrey Dicks, UK economist at NatWest markets said June's PSBR figures were very disappointing. "The chancellor's assertion that the PSBR is unambiguously coming down looks highly questionable on these figures," he added.

But some economists argued that the figures were distorted by unusual factors and could improve later this year.

Mr David Walton of Goldman Sachs said there were "mitigating circumstances" suggesting that the PSBR was not quite as bad as it seemed.

In particular, the Treasury pointed out that government spending had been boosted last month by unusually large interest payments on government debt. VAT revenues had also proved difficult to forecast because large companies were now concentrating their payments around June.

Saudi launches Oxford college

Philanthropist gives university £20m to found a business school

Oxford University was given £20m ($31.20m) yesterday by a prominent Middle Eastern businessman to establish a business school – its largest personal donation for 60 years.

At home in his opulent Eaton Square residence, Mr Wafic Said was almost defensive about his generosity to Oxford. "It is always assumed that an Arab with money must be bad," he began, before stressing his "huge admiration" for Britain, "a country which historically has produced so many entrepreneurs and can do so again with the right leadership".

He sees his bequest to found a new Oxford business school as an "important contribution" to that goal. "Oxford has a very special cachet as a centre for the elite. If it is ambitious about business studies, it will become a world class leader."

The Syrian-born businessman is a friend of members of the Saudi royal family and made his fortune there in the oil boom. He now has Saudi nationality – and exhibits all the hallmarks of the grand philanthropist. He collects art, races 30 horses, leads a peripatetic international life, and is resident in Monaco for tax purposes.

"I asked myself, what was it more important to have – a world class business school or another painting on the wall?" he asked. "I have had a lot of success in my life, and I was determined to make a significant contribution to this country, where my wife was born and my children brought up."

A former Cambridge student himself, he missed the chance of establishing a business school there. "Paul Judge beat me to it," he admitted with a smile, referring to the fellow multi-millionaire who five years ago gave Cambridge £8m for a management institute.

Fergus Wilde

Buying power: Wafic Said chose to have a business school rather than another painting on the wall

However, his son graduated from Oxford and he has already made sizeable donations to university appeals. Yesterday's bequest has been four years in the making. When the idea was first mooted by Sir Richard Southwood, then vice-chancellor, Mr Said was interested "but only if I could see that Oxford was deadly serious about MBA programmes and would put the business school at the heart of the city and university".

The university's initial idea had been for an endowment to expand Templeton College, its existing management studies centre on the city's outskirts. "I was anxious the new school should be central and delinked from Templeton," said Mr Said. It is a goal he has tentatively achieved. His ambitious design for a complex on a city sports ground for 150 MBA students – complete with Roman amphitheatre – is awaiting planning permission.

Named after its benefactor, the business school is being billed as a competitor with the leading US institutions. For this it will require matching staff quality: £2m of Mr Said's £20m will go into a fund to endow posts. "Oxford has to compete with Harvard, Wharton and the Sloan School of Management; it will be educating the future business leaders of Britain and it needs to be able to pay the rate for the job," said Mr Said.

His role in managing the business school will be "minimal". However, he will retain a strong influence through a foundation of 10 trustees – five nominated by him, including Sir Charles Powell, Baroness Thatcher's former foreign affairs adviser, and Lord Alexander, the chairman of National Westminster Bank. A strong supporter of the Conservative party, to which he has donated nearly £300,000 since 1979, Mr Said's views are in close accord with those of its former leader.

Oxford sees the donation as a significant coup, coming after its successful fundraising appeal which raised £340m in six years.

Although several companies and charitable trusts have made multi-million pound donations, Mr Said's personal gift has few recent rivals. Lord Jenkins, the university's chancellor, said the donation would "enable management studies to take off at Oxford in the same way that medical sciences did after Lord Nuffield's generous benefaction given in the 1930s".

He declared that Mr Said had joined "the list of those who have given major endowments to Oxford, and to whom Oxford has given immortality". Cheap at £20m, perhaps.

Andrew Adonis

London and Dublin meet over peace crisis

By John Murray Brown in Belfast and John Kampfner in London

The British and Irish governments yesterday moved to patch up their differences as Sir Patrick Mayhew, the Northern Ireland secretary, met Mr Dick Spring, the Irish foreign minister, for the first time since last week's riots.

The half-hour discussion in the margins of the multi-party talks at Stormont, was the first attempt to move the peace process forward after last week's violent scenes surrounding the Orange Order march in Portadown.

While furious at the lack of consultation over the police decision to allow the parade through the Catholic district in Portadown, Irish officials said Mr Spring was anxious not to inflame the row after Mr John Bruton, the Irish prime minister, went public with his criticism of the handling of the crisis.

A senior Irish official described the atmosphere as "cool", but added that if there was to be a row, "it should be at the inter-governmental conference, not now".

Sir Patrick and Mr Spring will meet tomorrow in a full ministerial session, which will be attended by Sir Hugh Annesley, the chief constable of the Royal Ulster Constabulary, who will be asked to explain his actions last week.

In the Commons, Mr John Major, the UK prime minister, told MPs that the governments and parties had a responsibility to ensure that last Saturday's bomb in Enniskillen – the first in the province for two years – did not "relaunch the cycle of violence that has so scarred life in Northern Ireland over recent years". Mr Major urged loyalist paramilitaries not to retaliate by ending the ceasefire called in October 1994.

Meanwhile, the British army announced that it was withdrawing more than 500 soldiers who had been flown to Northern Ireland at the height of the Drumcree crisis last week. Armed forces chiefs said they had sufficient forces to back up the RUC.

BAA told to cut airport charges

By Michael Skapinker, Aerospace Correspondent

The Monopolies and Mergers Commission said yesterday that BAA, the airports group, should make real cuts in landing and take-off charges at London's Heathrow and Gatwick airports over the next five years.

The MMC said, however, that BAA could increase charges at Stansted, the smallest of its London airports. It also held out the prospects of increased charges at Heathrow and Gatwick between 2002 and 2007.

The MMC and the Civil Aviation Authority – which is required to implement the proposals – rejected a suggestion made earlier this year by the House of Commons transport committee that Gatwick and Stansted be placed in a separate company from Heathrow to encourage competition.

A proposal that Heathrow Airport's planned fifth terminal should be put out to public tender was also rejected.

The MMC said it could only recommend that BAA be broken up and terminal five put out to tender if the existing set-up could be shown to be contrary to the public interest – but it could not.

Sir John Egan, BAA's chief executive, said that restricting charges would place a heavy burden on the group. The City accepted that the ruling could have been far worse. BAA was one of the few large companies whose shares rose yesterday – up 15p to 493p.

The commission recommended that landing, take-off and aircraft parking charges at Heathrow and Gatwick be allowed to rise by no more than three percentage points less than the retail price index during 1997-2002. Charges during 2002-2007 should be allowed to rise by inflation plus two percentage points.

It said charges at Stansted should be allowed to rise by 1 percentage point above inflation during 1997-2002.

Managers 'failing to find growth switch'

By Peter Marsh

Industrial managers in Britain lack skills at expanding their businesses, according to Mr Allen Yurko, the US chief executive of Siebe, the UK-owned engineering group.

"Britain is one of the most difficult places in the world to turn on the growth switch [in industry]," Mr Yurko said in an interview with the Financial Times.

Siebe, one of the country's largest engineering concerns, has expanded rapidly in the past five years to register annual sales of more than £3bn ($4.68). It is one of the UK's top 50 companies ranked by market capitalisation.

The company has tried to counter what Mr Yurko contends is a cultural problem with an incentive scheme for its executives. This gives bonuses to those whose divisions achieve 10 per cent annual sales growth.

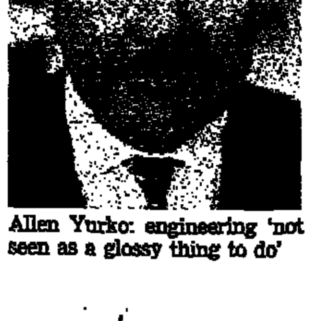
"The UK is an excellent place for manufacturing but on the whole UK managers are downsizers," said Mr Yurko. "They are restructurers and are wonderful at it. This is necessary, but at some point [in industry] you need to grow."

Mr Yurko also said Siebe was suffering from a shortage of top-flight engineers in the UK, due to engineering "not being thought of as a glossy thing to do". The company's controls division last year advertised for 150 engineers, offering salaries of between £30,000 and £75,000. It filled only half the vacancies.

The executive's comments are likely to fuel the debate about the degree to which UK companies can emulate some US companies – such as Hewlett-Packard and Compaq – and achieve high growth rates over a long period.

Of Siebe's 42,000 employees, about 5,000 are in the UK – which accounts for just 8 per cent of total sales as part of a deliberate strategy of internationalisation. Mr Yurko's remarks indicate that he thinks the company's expansion could have been greater were it not for the UK management culture – which in the past, he says, has "not been growth oriented".

In the past decade, Siebe has spent about £1.6bn on acquisitions, helping it to leap from annual sales of about £200m in the mid-1980s. It is one of the world's top manufacturers of control systems for large process plants and for domestic appliances.



Allen Yurko: engineering 'not seen as a glossy thing to do'

UK NEWS DIGEST

Merger talks for Channel ferries

Three cross-Channel ferry companies – P&O, Stena Line and Hoverspeed – were given the go-ahead by the UK government yesterday to hold merger talks to allow them to compete more effectively with the Channel tunnel.

Ferry groups operating services between France and England, including the French government owned SeaFrance company, have been engaged in a fierce price war since the tunnel opened in 1994 and have been making considerable losses. A total of 21m passengers cross the Dover Strait each year.

An end to this tough competition but the possibility of higher fares for travellers were signalled yesterday when Mr Ian Lang, the trade and industry secretary, released the companies from undertakings which prevented them from pooling activities, aligning their fares or merging. A Monopolies and Mergers Commission report in 1974 had said that such agreements would work against the public interest – a recommendation reinforced by a further report in 1982.

It is unclear how the competition authorities would rule on any merger application, but the two companies between them have an estimated 50 per cent of the cross-Channel market – P&O with around 30 per cent and Stena with about 20 per cent – while Eurotunnel, operator of the Channel Tunnel, has about 35 per cent. Hoverspeed has 7 per cent. Stena pulled out of a co-operation agreement with SeaFrance last December.

Eurotunnel said the government's decision to free the ferry companies to hold discussions was sensible. "It might strengthen the competition, but it should make for a more orderly market," said Mr John Noulton, Eurotunnel's public affairs director. P&O's shares rose 8p to 500p yesterday while Stena's shares fell SKr0.90 to SKr30.10. Eurotunnel fell ½p to 107p. *Charles Batchelor, Transport Correspondent*

■ PRICE CONTROLS

British Gas plea unheeded

The campaign by some City institutions to persuade Ofgas, the gas industry regulator, to relax its tough, draft price control proposals on British Gas appears to have failed, says the company.

British Gas executives say they have seen "no impact" so far of the City's lobbying effort on the thinking of Ms Clare Spottiswoode, the Ofgas director-general, who is expected to publish final price control proposals next week.

Publication last May of the draft controls for TransCo, the company's pipeline monopoly, caused the British Gas share price to plummet. More than 35,000 protest letters were sent to the regulator by individual British Gas shareholders.

The proposals also caused some institutional investors to challenge her claim that the present pricing formula favours shareholders over consumers by giving them excessive returns on their investment. *Robert Corzine*

■ BROADCASTING

BBC calls for borrowing power

The BBC plans to open talks with the Department of National Heritage this autumn on reinstating its £200m ($312m) borrowing limit and winning the freedom to borrow against assets on its commercial activities to fund international expansion.

BBC borrowings, which count as part of the public sector borrowing requirement, are heavily constrained because of an agreement with the government that they should be reduced to zero by the end of this year.

The right to have a new borrowing limit is needed to re-equip the BBC with digital technology. This is in addition to the proceeds the corporation will be able to keep from the privatisation of BBC transmitters. The ability to borrow against the corporation's commercial assets is also needed to fund the acquisition of rights and events for broadcast by BBC World-wide, the corporation's commercial arm. *Raymond Snoddy*

World Service war, Page 10

■ TELECOMMUNICATIONS

Mobile phone row defused

The government has defused a row over the allocation of radio frequencies to mobile telephone operators by giving previously unallocated channels to Vodafone and Cellnet while reserving spare spectrum for Mercury One-2-One and Orange in their existing frequency range.

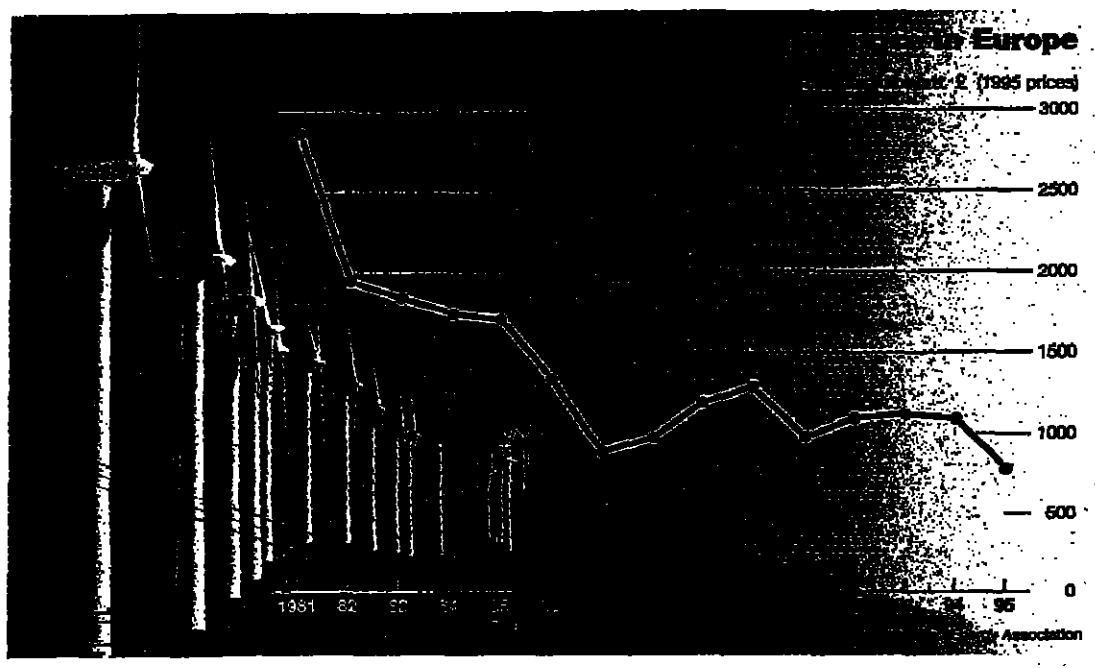
A key condition in the deal is that Vodafone and Cellnet, the UK's two largest operators with more than 2m subscribers each, will shut down their analogue networks by 2005.

Vodafone and Cellnet intend to use the new channels to develop dual mode business handsets which will operate as wire-free phones within the office and conventional mobile phones outside. The Department of Trade and Industry said yesterday that their plans, taking in eventually the residential sector, would involve the investment of several hundred million pounds in infrastructure over the next few years.

Spectrum in the region used by personal communications network (PCN) operators like One-2-One and Orange became available after consolidation in the industry in the early 1990s. All four operators placed bids for the spare capacity. The DTI said the spare PCN capacity would be allocated to One-2-One and Orange "when they could show a demonstrable need for it". *Alan Cane*

This happy breeze

Wind power is taking Europe by storm, but the industry is facing opposition, explains Geoff Nairn



It's an ill wind that blows no good, so when Kenetech Windpower, the big US wind power company, filed under Chapter 11 of the US Bankruptcy Code in May, the heads of rival companies in Europe rubbed their hands with glee.

Wind power is booming in Europe thanks to improved technology, falling costs and a European Union commitment for 8 per cent of Europe's primary energy to come from renewable sources by 2005.

"Wind energy is the most mature and least exploited of renewable sources," says Juan Fraga, general secretary of Eufores, a European industry body for renewables. Under the EU plan, wind will supply 2 per cent of electricity demand in 2005.

The target is not ambitious and many regions of Europe will easily surpass that figure. In the German state of Schleswig-Holstein, wind supplies 4 per cent of electricity needs, while Denmark hopes to generate 10 per cent of its electricity from wind by 2000.

Wind power grew up in California in the 1980s but the US industry is under a cloud because of budget cuts to wind programmes and frequent changes in federal and state incentives. Many blame this uncertainty for Kenetech's plight, but it also suffered blade failures and other technical problems with its turbines.

The biggest wind power market is now Europe, which in 1995 overtook the US with 2,420MW of installed capacity against 1,700MW, according to the European Wind Energy Association. Asia is also growing fast, particularly India where 500MW of capacity was installed in 1995.

Wind power technology has improved greatly in recent years. Turbine capacities have risen from 75kW to 600kW in 10 years and reliability is close to 99 per cent. Bigger, more efficient, turbines and greater production volumes have cut the cost of wind-produced electricity by 30-50 per cent since 1990, and in some countries it is approaching that of fossil fuels.

"Of all the renewable energies, wind is closest to market in terms of economic viability," says Ian Mays, the association's president.

One company quick to grasp the commercial opportunities of wind is Gamesa, the Spanish aerospace company. In 1995, its fledgling wind power subsidiary, Gamesa Eólica, installed 18 turbines and had turnover of just over Pta1bn (£5m). By the end of 1997, managing director Juan Ramón Jiménez forecasts, there will be an installed base of 250 turbines and turnover of Pta20bn.

In March, Gamesa Eólica completed its first wind farm, on the exposed El Perdón ridge outside its home town of Pamplona, northern Spain. The site has 40 turbines and generates 20MW for the local utility. Gamesa Eólica aims to complete a second plant of similar capacity by September.

The Navarra regional government plans 10 more wind farms by 2000, when 11 per cent of the electricity consumed there should come from wind. Today only 10 per cent of electricity is generated locally, using mainly hydroelectric plants, and the region plans to expand wind and hydroelectric power to become self-sufficient in electricity by 2010. "It's a very ambitious target but we will achieve it," says Jiménez.

Gamesa turbines, based on Danish technology, produce 600kW and are mounted on 40m pylons. They cost Pta70m each and will work with wind speeds as low as 5m a second, although the average speed at El Perdón is 9m a second. The 39m diameter blades have yet to be blamed for any bird deaths – something which has turned environmentalists against wind farms in Tarifa, southern Spain, and California.

Gamesa Eólica this month signed an agreement with EHN, the electricity utility of Galicia, northwestern Spain, to build jointly 984MW of wind capacity, while other Spanish regions, such as the Basque country, have similarly ambitious plans to use wind power to reduce their energy deficits.

Germany and Denmark are the European leaders in wind power, but Spain is growing fast and will have more than 300MW of installed capacity in 1997, compared with 50MW in 1993. The potential is much greater – studies have identified sites which could generate 2,400MW in total using current technology.

Elsewhere in Europe, France and Ireland have good technical potential for wind power, although the UK has the best of all, with more than 126 terawatt (thousand billion watt) hours of onshore wind energy waiting to be harnessed each year.

Despite aggressive expansion plans, the industry is meeting opposition from some utilities and fossil fuel generators. "Vested interests are looking with some concern at what wind energy is achieving," says Mays.

Utilities complain that wind-generated electricity fluctuates in power and is difficult to manage. Wind farms are often far from centres of demand, but transmitting surplus power long distances is inefficient and can overload the grid if the wind blows strong, they say.

Fossil fuel generators claim the price premiums many EU states pay for electricity from renewable sources are too generous to wind farms and distort the market.

The forthcoming liberalisation of the EU energy market creates further uncertainty. The wind power industry is now fighting back. It believes some form of price support must stay in place for wind-generated electricity because of the longer payback time (15 years) of a wind farm compared with, say, a gas-fired plant.

The industry also claims that fossil fuel and nuclear generators benefit from indirect subsidies and so the price premium for renewables is justified, even before the environmental benefits are considered.

Generating 2 per cent of Europe's electricity from wind would allow seven 1,000MW coal-fired plants to be decommissioned and reduce emissions of carbon dioxide by 30m tons a year.

Chile's 'man-made' earthquake

Plans for a $1bn wood pulp plant are causing tremors in a local community, reports Imogen Mark

The worst earthquake ever measured and the huge tidal wave which followed it almost put paid to Valdivia back in 1960. Now the inhabitants of this quiet farming town in southern Chile are wondering if a man-made earthquake is about to hit them. This one is a $1bn (£600m) investment for a 550,000-tonne wood pulp plant, one of the biggest in the world.

Inserting a big industrial plant into a community based on dairy farming, forestry, tourism and the local university will bring its own social problems. But the public debate has focused not on the social impact but on the environmental problems the industry may create. And for the first time in Chile's short history of environmental planning, the authorities have held up permission for work to start until they are satisfied that proper safeguards are in place.

The main concern has been to measure and mitigate the effect of the liquid waste from the plant, which contains toxic chemicals and traces of heavy metals. Originally, the company was proposing to apply only the standard primary and secondary treatment processes, and then dump the effluent back into the nearest river, Rio Cruces.

But the river estuary is surrounded by marshland, created as a result of the earthquake and protected by the international wetlands agreement, the Ramsar convention, which Chile has signed. It is also the site of Chile's only bird sanctuary, the home of black-necked swans and ospreys.

In February local environmental experts criticised the company's environmental impact study. They sent a report to the regional environmental commission, whose task is to balance the needs of economic development with green concerns.

The commission's members include the regional political authorities, who are clearly interested in new jobs and tax revenues. But on this occasion they accepted the criticisms from biologists at the local university and other experts. At the end of May the commission approved the plant only on condition that the water waste was either treated to remove all the toxic chemicals or that some other solution was found.

The company, Celulosa Arauco, calculated that an extra filtering process would cost another $10m to install, and that the running costs would add $2.5m a year to its annual operating costs. Instead, it now proposes to build a pipeline to take the effluent out to the north of the plant, well away from Rio Cruces, and dump it out to sea at Mehuin, a small fishing village and seaside resort 20 miles from the plant site.

For this solution the project must present a separate environmental impact study. But at present the villagers of Mehuin are refusing even to allow access to the authorities to draw up the guidelines for the study. They fear the pipeline and its toxic waste will wreck their livelihoods.

Impact studies are voluntary, though *new regulations* are about to be approved making them mandatory for major projects

In addition, two local green groups have taken the regional commission to court to challenge its decision to permit the pulp plant. A first ruling is expected by the end of the month, but can then be appealed in the Supreme Court.

The delays and the new conditions have been a blow to Celulosa Arauco. It has been planning the project since the beginning of the 1980s, buying land, planting trees and installing a modern sawmill near the site for the plant. Its original building schedule was to have the plant coming on stream by mid-1999.

Celulosa Arauco is Chile's biggest forest products company, and owned by Copec, one of Chile's biggest private companies, which in turn is partly owned by Carter Holt Harvey of New Zealand. CelArauco had export sales of $880m last year in Europe and East Asia.

The company is well aware of the weight of the green consumer lobbies in its markets. "Our plants are built to Swedish and Canadian standards, and we are committed to taking maximum care of the environment," Victor Renner, the project manager, says. "If we didn't, nobody would buy pulp from us."

He feels the company bent over backwards from the start to present and discuss the project and its impact with the authorities and the local community, including the green lobby groups. It knew about the bird sanctuary, indeed it had even thought of using a black-necked swan as the plant's logo, Renner says.

But Conama, the national commission for the environment, was critical of CelArauco's initial study. Conama's president, Vivianne Blanlot, recommended that the local authorities request more information before approving the project.

Impact studies are voluntary at the moment, though new regulations are about to be approved making them mandatory for major projects such as the Valdivia plant. But since the turn of the decade most big foreign investors have done them, in line with their own company policy, and blue-chip Chilean companies like CelArauco have followed suit.

In the case of the Valdivia project, Conama wanted to set standards for the amount of detailed information to be included because, Blanlot says, "there is an important principle at stake. We want a self-regulating system for impact studies, but that means we have to demand rigorous standards from the beginning, so the companies themselves take the studies very seriously.

"The system won't work unless the state can say, as we did in this case, that we will not take a decision unless we have enough information to take it responsibly."

Television/**Clement Crisp**

Camera puts dance through its paces

Summertime. The Silly Season. The dance season on TV. After the paroxysms of Wimbledon, World Cup football and Test matches, and with the Olympic Games on the horizon as threatening as hurricane Bertha, dance is trotted out as a sop for those who prefer physical energy to be more than beefy displays of muscle and bloke-ish embraces between footballers. (More of this in a moment, though, courtesy of DV8).

Dance on television is a vexed, sad matter. There is the annual display of a ballet classic as Yuletide alternative to yet another compilation of Morecambe and Wise clips. (Those scripts must now be more familiar, and probably more meaningful, than *Land of Hope and Glory*). There is the occasional showing of a foreign delicacy: Channel 4 earned our thanks this year for presenting Mark Morris's superb *Dido*, while BBC 2 deserves a final warning from the beak for daring to transmit the Joffrey Ballet's stupefyingly vulgar *Billboards*, then following it with the nugatory *Two by Dove*, a couple of stinkers by Ulysses Dove co-produced with WNET in New York.

But small-screen dance as a way of exciting an audience, of encouraging interest in any kind of movement and, perish the thought, of making a Reithian gesture towards bringing the best to the largest public, is a non-starter for our programme-masters. I recall that in the 70s and 80s, the BBC Dance Months were a summer festival of well-reasoned scheduling which treated all sorts of dance with seriousness and something very like passion. Some programming was new, some was bought in. There is still a large repertory of fine work – I think of the output of *Dance in America* – which deserves to be seen here. There are major choreographers in Britain whose creations merit TV showing: recent pieces by Siobhan Davies (her dazzling *Art of Touch*) and Kim Brandstrup (*Othello* with Mukhamedov; his haunting *Saints and Shadows*) are of ideal scale as well as ideal worth for recording.

I should note in passing, though, that there is an astonishing amount of dreadful foreign dance film that should be kept out of the country at all costs. A few years ago I sat on the jury of an international tele-dance festival and was daily beaten about the head by productions of the most malign badness. My prizes were migraines and xenophobia.

Lack of will, lack of willingness, mark our TV dance-programming. The attitudes implicit in a current season of short dance-offerings on BBC 2 are dispiriting. The third series of *Dance for Camera* has just got under way, offering 12 five-minute films which should drive viewers to the bottle. They are a collaborative effort by the BBC and the Arts Council; they have little to do with dance but a great deal to do with directoral caprice and pretension. Choreographic content is minimal and some excuse for the camera's madcap ways may be found in the dull, meagre movement – the director evidently needing to do something while the dance treads its miserable paces. By turns frantic, incomprehensible, winsome, these little items are a denial of dance itself. The honourable exceptions are a black and white hand-study by Jonathan Burrows (to be seen on July 24) and Mark Baldwin's *Echo* (on July 18), with its design by Anish Kapoor and able direction by Ross MacGibbon.

MacGibbon, who was a dancer with the Royal Ballet, shows understanding of movement and how it may be best conveyed by the camera. His contribution to the season is a version of Yolande Snaith's *Swinger* (shown on Monday night).

The ingredients are significant: four fine dancers, headed by the wonderful Lynne Bristow; Roland Barthes' *A Lover's Discourse* in an adaptation by Craig Raine; a bold set dominated by a huge pendulum; Snaith's subtle perceptions about the vagaries of passion. The result is television dance which matches camera-work with the dancers' moves, without denying either, and holds the spoken word in balance.

The other big piece is *Enter Achilles*, to be seen tonight, the latest BBC recording of a dance-theatre piece by Lloyd Newson's DV8 troupe. (Two earlier works have also been filmed). Directed by Clara van Gool, it is an adaptation and editing of DV8's exercise in "manliness", identified here as boorishness and beerishness. The setting is a pub, the subject is male bonding of a drunken and aggressive kind – the only girl is inflatable and maltreatable. The manner has a knee-in-the-groin, smash-yer-'ead-in joviality as cover for the mindless rampaging of Friday-night drunks, and the action reveals ambiguities and mute sufferings as the undercurrent to the umpteenth pint. It is cleverly observed, well-transferred from stage to screen, and well performed.

As an antidote to the self-conscious, self-regarding experiments in the BBC 2 *Dance* range, let me commend an illuminating series on Channel 4 which will run during August and September. The British rarely acknowledge that they are a dancing nation – ballet is poof's football; anything else is slightly infra-dig – in spite of massive evidence to the contrary, from the Royal Ballet to *Come Dancing*, and despite the significance of dancing as an educational force in the country (as seen with both the Royal Academy of Dancing and the achievements of such schools as Harehills in Leeds.)

Channel 4's *Strictly Dancing* is a series of six programmes about how people, we-the-viewers people, like to dance. We do western line dancing ("You get a great sense of happiness out of it," says a Glasgow family) and Irish set dances ("it makes you feel alive"). We learn to tango and study Egyptian dance. An elderly couple are devoted to sequence dancing ("More people go to sequence dancing on Saturday night than go to football on Saturday afternoon" – a statistic I urge to the attention of the BBC programmers), while Ceroc ("very sexy") can involve a young solicitor and, as "an infectious dance", can become part of Christian worship.

Hurrah for these programmes, which are illuminating and unpretentious, and hurrah for those who dance in them and look happy as they do so. I am prepared to bet that the series will bring more people to dancing, and will encourage a feeling for its joys. That is not a wager I would care to make about the BBC 2/Arts Council offerings, which are like giving stones to an audience hoping for bread. The public has, of course, learnt not to expect the delicious cake of grand balletic and dance performance, unavailable to those who do not have the occasion or the funds to visit an opera house or see the world's great dance troupes. Never mind: there are always those large girls throwing things in the Olympics or another programme about clever pets to stimulate our minds. And then it may, as Miss Austen said, be possible to do without dancing entirely. Watch for the next *Arts Council/BBC 2* jamboree.

Partners in arms: sequence dancers Jean Meredith and George Woods in Channel 4's unpretentious 'Strictly Dancing'

Opera/**David Murray**

Tarty Lulu tries to play the innocent

It is 61 years since Alban Berg died, and his *Lulu* has at last reached the Glyndebourne festival. Lovingly conducted by Andrew Davis at the opening night on Monday, it was less exciting than his concert performance of the opera on the South Bank a couple of years ago, not to mention the Covent Garden production (which one longs to see revived). Still, this *Lulu* is greatly worth hearing.

In Graham Vick's staging here, there is not much to see. The action of the opera, like Wedekind's original plays (Berg reduced *Earth Spirit* and *Pandora's Box* into a single script), travels through many different, sharply contrasted locations, from seedy to grand to glitzy to wretched.

Vick has chosen to represent them all by a single, enveloping brick wall, the full height of the stage, enlivened only by a diagonal line of pop-in, pop-out steps running from the floor at one to side to the flies at the other (designs by Paul Brown).

With any sense of place obliterated, Vick has also jettisoned the period: the cast wear featureless modern clothes, though Alwa still gets to report that "In Paris ist Revolution ausgebrochen!"

The stage directions are observed pretty much to the letter. The actors play them out like charades. Quite *lively* charades, at least; everybody works hard, though the farcical scene with Lulu's lovers concealed all over Dr Schön's house is now unplayable – there is nowhere to hide, and all they can do is rush for the exits.

The veteran Wolfgang Schöne makes an effectively tortured Dr Schön, though he is a lesser figure than Gunter Reich or Franz Mazura in the role. David Kuebler's bright tenor, tight but true, suits his son Alwa very well.

There is a lovely, touching lesbian countess from Kathryn Harries, a sly, crepitatious Schigolch from Norman Bailey, a remarkably clever schoolboy from Patricia Bardon, a fine vaudeville turn by Donald Maxwell in the prologue (he is also the rough, crude athlete later), an excellent, poisonous marquis from Neil Jenkins.

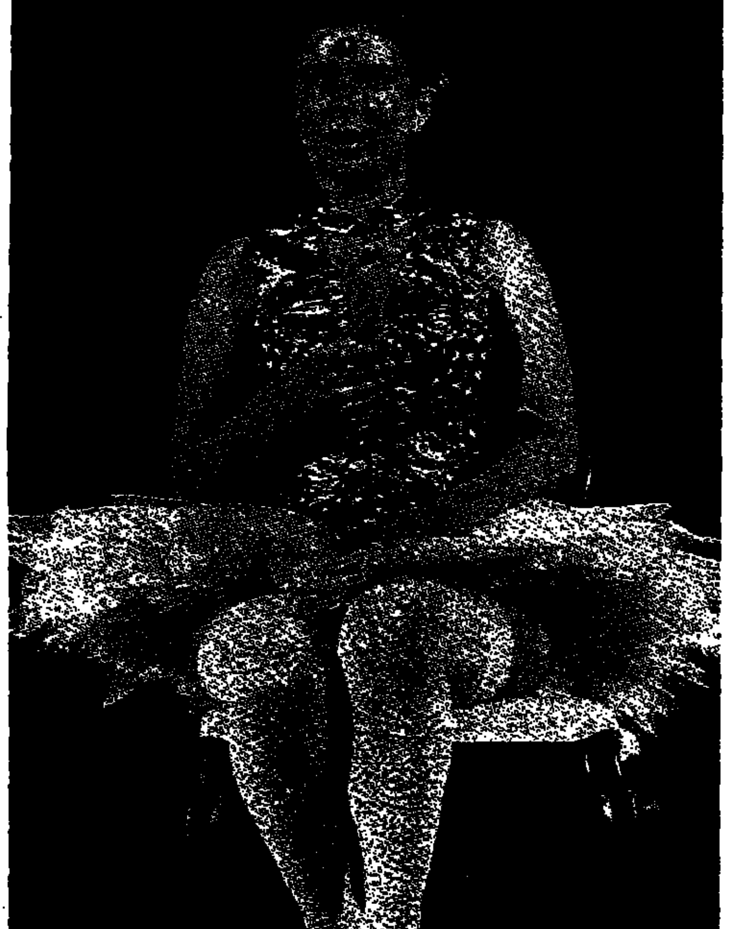
And what of Lulu herself? Well, Christine Schäfer *sings* her with art and confidence, but Vick has chosen to make her a completely blank innocent. Not a knowing innocent, still less a seductress (despite what the prologue says): just a cipher, though later she becomes conventionally tarty.

No doubt Vick takes the popular view that Lulu is whatever each man makes of her; but men make something of her because there is already something extraordinary and irresistible about her, and we never see that. The impression is that any nubile, tolerably pretty girl would do. That was certainly not Berg's intention, nor Wedekind's.

Vick's version is simply less interesting, and with this placid, passive heroine it takes a long time for the action to come to life.

That said, this *Lulu* still gives a very clear account of what is going on; and Berg's wonderful score sounds perpetually fascinating, impassioned, desperate.

Sponsored by the Glyndebourne Association America Inc. Further performances to August 19.



Alastair Muir

Lulu in a tutu: Christine Schäfer 'sings with confidence'

US Ballet/**William Deresiewicz**

Burdened by expectation

The story at New York City Ballet is an old one by now. The dancing has lost its force; new choreography is unrelievedly dismal; a few of the senior principals valiantly uphold the old standards.

Balanchine's glorious kingdom, under Peter Martins' misrule, descends ever deeper into barbarism and strife.

Patiently, the faithful await redemption – the next great ballerina, a visionary young choreographer – communing with the spirit of the master in the ruined temples his ballets have become.

With things in such a state, new talent is inevitably loaded with an excessive burden of expectation.

Ethan Stiefel, promoted to principal last year, took on a number of important roles this spring.

Stiefel certainly has brilliant allegro technique. He shifts weight and direction at top speed without loss of tension or shape in the upper body. His feet race through the most intricate combinations with near-perfect clarity and rhythmic precision. But for all his skill, Stiefel makes curiously little impact. In part because of his shortness and slim build, but more because of a cramped, uncommunicative quality of spirit, his dancing fails to register in expressive terms.

It is not so much that Stiefel has an unappealing temperament as that he doesn't seem to have any temperament at all. And this is precisely the problem one finds throughout the younger generation at NYCB. They are, almost without exception, skilful, dutiful, and dull.

The exception is Maria Kowroski. The 19-year-old Kowroski – statuesque, urgent, raw – has been thrown into more Balanchine roles more quickly than any other ballerina in years. She will not save the company. Indeed, given the state of things, she will be lucky to save herself but she has energised and elevated at least one of its other members.

For years NYCB has suffered from a dearth of decent male partners. The acquisition of the Kirov's Igor Zelensky four years ago did nothing, at first, to redress the problem. With Kowroski to guide, frame, and adore, Zelensky has caught fire. Theirs is one of the few partnerships in the company that seems more like a love affair than a business deal.

One of the reasons Kowroski has been given so many roles so soon, of course, is that few of the younger dancers can be trusted with them. With Darci Kistler out for pregnancy and Nikolaj Hubbe idled for most of the season by injury, the core of reliable principals narrowed ever further.

Kyra Nichols, nearing 40, remains the company's transcendent classicist. What she has lost in power she makes up for with exquisite musicality and subtle interpretive brilliance. We had all better pray that she keeps dancing until she is 60.

To watch Nichol Hlinka team up with either Damien Woetzel or Peter Boal was pure delight. Hlinka's dancing, with its melodious phrasing and firm muscular emphasis, fairly shines with sweetness, modesty, and charm. Woetzel, a supreme technician, keeps challenging himself to new feats. I do believe I saw him turn a multiple pirouette this season that sped up as it progressed rather than slowing down, though this would seem to violate the laws of physics.

Hubbe's return late in the season brought a much-needed infusion of animation and warmth. What a gracious partner he is, and so marvellously comfortable before an audience. In *Donizetti Variations*, Balanchine's study in the homey style of Hubbe's native Denmark, he romped around the stage as if it were his own living room.

Albert Evans turned in another great late-season performance as Puck in *A Midsummer Night's Dream*. For once I felt something of the sheer immediacy that made the Balanchine era such theatrical magic. It is telling that most of the choreographers who make new work on the company avoid its best dancers. In effect, the soloists and younger principles have come to constitute a repertory ensemble for bad contemporary ballet.

Peter Martins invited Ulysses Dove and Kevin O'Day to join him this season in filling the quota of new material. All three produced trivial, formulaic work in which even they seemed scarcely to be interested. The notion that art can be disturbing to its audience, if only by showing us people who are fully awake to what they are doing, seems almost to have passed out of the world.

It may well be too late to reverse the decline at NYCB, but one oft-made suggestion is worth reiterating. Suzanne Farrell staged a season of Balanchine masterpieces last year that showed once again how brilliantly she is able to mount the works of the man whose greatest interpreter she was.

This may not mean that Farrell can run a company, but if she cannot, she has at least earned the chance to prove it. Current management has already done so with ample clarity.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-5730573

● Nieuw Sinfonietta Amsterdam: with conductor Lev Markiz and cellist Quirine Viersen perform works by Haydn and Brahms; 8.15pm; Jul 18

EXHIBITION

Stedelijk Museum Tel: 31-20-5732911

● Under Capricorn: this exhibition focuses on artists' views on life in a world which seems to be getting smaller as a result of modern (communication) techniques. A similar exhibition is held simultaneously in the Wellington Art Gallery in Wellington, New Zealand. The display features works by about 20 artists; to Aug 25

BERLIN

EXHIBITION

Berlinische Galerie – Martin-Gropius-Bau Tel: 49-30-254860

● Anne Ratkowski – *Eine vergessene Künstlerin der Novembergruppe*: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1918. The display includes still lifes and portraits; to Oct 13

CHICAGO

EXHIBITION

Art Institute of Chicago Tel: 1-312-4433600

● Since the Harlem Renaissance, Sixty Years of African American Art: exhibition of about 25 works from the museum's collection to complement the travelling exhibition "Alone in a Crowd". Featured are 20th century prints and drawings by about 15 African American artists, including Charles White, Walter Ellison, Allan Rohan Crite, Romare Bearden, Jacob Lawrence, Vincent D. Smith and Margaret Burroughs; to Aug 25

Museum of Contemporary Art Tel: 1-312-280-2660

● Negotiating Rapture: a major loan exhibition featuring work by international contemporary artists, including Francis Bacon, Joseph Beuys, Lucio Fontana, Shirazeh Houshiary, Anselm Kiefer, Agnes Martin, Bruce Nauman, Barnett Newman, Ad Reinhardt and Bill Viola; to Oct 20

LONDON

EXHIBITION

Courtauld Institute Galleries Tel: 44-171-8732526

● The Four Elements: this exhibition draws together prints and drawings from five centuries to show the four elements – fire, water, earth and air – in mythology and real life. Mixing together artists from different times and traditions, the exhibition contrasts images of classical stories, domestic scenes and the frankly satirical. Included are works from the museum's collection by Manet, Dürer, Guercino, Bruegel, Gauguin, Hieronymous Bosch, Guardi, Rowlandson, Turner, Samuel Palmer, Constable, Piranesi, Tiepolo and others; to Sep 22

National Gallery Tel: 44-171-7472885

● Degas as a Collector: this exhibition features Degas' collection of paintings, drawings and prints. The display includes works by Ingres, Delacroix and Manet; to Aug 26

Whitechapel Art Gallery Tel: 44-171-5227888

● Whitechapel Open and East London Open Studios: new work by East London artists. The exhibition extends to film, video and installation as well as painting and sculpture. The project has become an important platform for contemporary British art; from Jul 19 to Sep 15

JAZZ & BLUES

Purcell Room Tel: 44-171-9604242

● Secret Rhythm Society: percussionists Richard Ajileye, Kevin Haynes, Talvin Singh, Thomas Dyani and Wades Austin, flautist Byron Wallen and trumpeter/keyboard-player Rowland Sutherland perform jazz music; 8pm; Jul 18

LOS ANGELES

MUSICAL

Ahmanson Theater Tel: 1-213-972-0700

● Carousel: by Rodgers and Hammerstein. Directed by Nicholas Hytner and choreographed by Kenneth MacMillan. The cast includes Sherry D. Boone, Sarah Uriarte and Kate Buddeke; Tue-Sat 8pm, Sun 7pm, Sat, Sun also 2pm; to Aug 25 (Not Mon)

NEW YORK

CONCERT

Avery Fisher Hall Tel: 1-212-875-5030

● Emerson String Quartet: with pianist Ulian Kallir and double bass-player Timothy Cobb perform Schubert's Quartettsatz, Quartet in A minor and Piano Quintet in A major (Trout). Part of the Mostly Mozart Festival; 8pm; Jul 18

EXHIBITION

The Metropolitan Museum of Art Tel: 1-212-879-5500

● Modern Glass as Art: this exhibition, selected from the Metropolitan's collection of 20th century architecture and design, explores glass as a medium for contemporary art and includes works made by a variety of techniques manipulating the glass through blowing, casting, etching, flameworking, and stained glass; to Oct 6

MUSICAL

Shubert Theatre Tel: 1-212-239-6200

● Big: by John Weidman, Richard Maltby Jr and David Shire. Directed by Mike Ockrent and choreographed by Susan Stroman. Leading the 30-member cast is Daniel Jenkins as Josh. Also featured in the cast are Crista Moore and Jon Cypher; Tue-Sat 8pm, Sun 3pm, Wed, Sat also 3pm; to Nov 30 (Not Mon)

PARIS

EXHIBITION

Musée d'Orsay Tel: 33-1 40 49 48 14

● Menzel (1815-1905), 'la névrose du vrai': retrospective exhibition devoted to the work of the German impressionist painter Adolph Menzel. The exhibition, organised in co-operation with the National Gallery in Washington and the Stiftung Preussischer Kulturbesitz in Berlin, comprises 47 paintings and 95 drawings; to Jul 28

ROME

CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064

● Orchestra dell'Accademia Nazionale di Santa Cecilia: with conductor Shao-Chia Lü and pianist Joaquin Achucarro perform works by Glinka, De Falla and Ravel. Concert at the Villa Giulia; 9pm; Jul 18

SAN FRANCISCO

CONCERT

Louise M. Davies Symphony Hall Tel: 1-415-864-6000

● San Francisco Symphony: with conductor Vance George and the San Francisco Symphony Chorus perform works by Rodgers and Hammerstein, and others. The programme includes songs from the musicals Entr'acte, *The Sound of Music*, *Carousel*, *The King and I*, *Showboat*, *Annie Get Your Gun*, *Kiss Me Kate*, *Roberta*, *Gay Divorcee*, *South Pacific* and *Oklahoma!*; 8pm; Jul 18

EXHIBITION

SFMOMA – Museum of Modern Art Tel: 1-415-357-4000

● The San Francisco School of Abstract Expressionism: this exhibition explores the work of the Abstract Expressionist movement on the west coast and includes about 65 works by artists such as Jay DeFeo, Richard Diebenkorn, Sonia Gechtoff, Walter Kuhlman, John Saccaro and Clyfford Still. Known at the time as "free-form painting", these works of the 1940s and 1950s were inspired by the natural beauty of the west coast, as well as by jazz and Beat poetry; from Jul 18 to Sep 29

WASHINGTON

EXHIBITION

National Gallery of Art Tel: 1-202-7374215

● Masterpieces from the Palazzo Doria Pamphilj, Rome: exhibition featuring a selection of 12 works, 10 paintings and two sculptures, from the collection of the Doria Pamphilj Gallery in Rome. The collection was founded in 1651 by Pope Innocent X Pamphilj, whose portrait by Diego Velázquez is the centrepiece of this exhibition. The other artists represented in this exhibition are Alessandro Algardi, Bernini, Caravaggio, Annibale Carracci, Guercino, Claude Lorrain, Lorenzo Lotto, Raphael, Carlo Saraceni and Titian; to Sep 2

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

As separate as ever

Social engineering in Northern Ireland has reached its limits. It is time to give power back to the politicians

Perhaps the only person entitled to derive some bleak satisfaction from last week's events in Northern Ireland is Mr Conor Cruise O'Brien, the former Irish cabinet minister who is now a "UK Unionist" member of the Northern Ireland Forum elected last month to discuss the future of the province. For those events conformed – not exactly, but closely enough – to the dire predictions he made at the time of the IRA ceasefire two years ago.

The Protestant majority in the province, rattled by a "peace process" which in their eyes means constant British retreat and creeping Irish annexation, has rallied behind an uncouth and menacing reminder of their historic supremacy: the Orange Order marches. And the Republican movement (Sinn Féin-IRA), having used the ceasefire to increase its electoral support, is now exploiting the breakdown of public order which it helped engineer to re-legitimise itself as an armed defence force in the eyes of the Catholic minority.

This takes the province back, not just to the situation before the ceasefire, but to something like the late 1960s and early 1970s, when the two communities confronted each other directly in the street. Since then a more organised confrontation between the IRA and the British army, with interventions from loyalist paramilitaries, had allowed ordinary people to dissociate themselves from the "men of violence" on both sides.

Thus what failed last week was not just the peace process, in the sense of official efforts to restore the ceasefire and build a political settlement through all-party talks. More important, and more depressing, was the demonstration that 24 years of patient effort to remove the causes of resentment, and to cultivate peaceful coexistence and mutual respect between the communities, have not really dented the intractable nature of the conflict.

During those 24 years since March 1972, Northern Ireland has been under "direct rule" from Westminster for all but the five months of the power-sharing executive in 1974. Ministers and officials in the Northern Ireland Office have been able to use public policy, and public spending on a scale not permitted elsewhere in the UK, to conduct a bold experiment in social engineering.

Their achievements have been far from negligible, as a report published last year by the Minority Rights Group* pointed out:

- Inequality of access to public housing, one of the major grievances of the civil rights movement in the 1960s, has been "virtually removed from the public agenda".
- The public sector and most other big employers in Northern Ireland have made great efforts to raise their proportion of Catholic workers, bringing it close to the Catholic-Protestant ratio in the adult population in jobs monitored by the Fair Employment Commission.

The 1989 Fair Employment Act, which established the Commission, also provides remedies in cases of religious or political discrimination, which have been abundantly and successfully used. While unemployment among male Catholics remains more than twice as high as among male Protestants, it has become much harder to blame that on direct or even indirect discrimination.

> Britain can no longer even maintain order there, because so-called unionists have lost faith in the Union and do not accept its authority

- Catholic schools now get 100 per cent public funding, instead of having to find 15 per cent of capital costs from their own resources. Integrated schools have at last been brought within the public education system (though they still only cater for 2 per cent of the school population).
- The rising proportion of Catholic students in the province's two universitites has "effectively removed" higher education "from the agenda of minority grievances".
- The government has doled out financial support to cultural, social and sporting associations of almost any kind, provided they can show a cross-community character. Initially it tried as far as possible to play down group identities, treating Protestants and Catholics as interchangeable citizens.

But since the early 1980s it has shifted the emphasis to the cultivation of pluralism, recognising distinct religious or political identities as worthy of equal respect. Thus there has been financial backing for Irish-language schools, acceptance of Irish street signs in some areas, and increased support for festivals and activities traditionally associated with one or other community.

- Politically, the government has accepted the right of nationalists in Northern Ireland to cultivate links with the Republic; and the two governments have co-operated more and more closely in seeking to manage, and if possible solve, the conflict.

Partly as a result of these policies, consensus has been quietly achieved on many formerly contested issues. Few employers now object to monitoring the religion of their workforce. Everyone now accepts in principle that there should be fair employment, fair access to housing and equal funding for all schools. Hardly anyone now believes that either the IRA or the British army can win a military victory. Even unionist parties grudgingly accept the Dublin government's involvement in negotiations, while most nationalists now accept the impossibility of uniting Ireland without the consent of the majority in the north.

Yet in spite of this, Northern Ireland is still polarised, perhaps more so than ever. The vast majority ofvoters support parties which confine their appeal to one side of the sectarian divide. Residential segregation has increased, under the pressure of violence, so that "the separation of the two communities ... is more complete than anyone in 1969 could have imagined".

The social engineering of the last 24 years has been well intentioned and in many respects admirable. But it has not solved the problem, and probably cannot. In one crucial respect it has made things worse, by taking responsibility away from Northern Ireland's elected leaders, leaving them only the politics of protest.

Last week the unionists demonstrated their power in a way which may have been intended to reassert Ulster's Britishness but actually alienated the British public and undermined the authority of the UK state. The Royal Ulster Constabulary backed down, and the prime minister has endorsed its capitulation to what he himself previously called "mob rule".

Britain lacks the power, or anyway the will, to impose a political solution in Northern Ireland. It can no longer even maintain order there, because so-called unionists have lost faith in the Union and do not accept its authority.

Direct rule has brought about many desirable changes, but it has reached its limits. The time has come for Northern Ireland's elected leaders to be faced with the consequences of their own words and actions.

**379 Brixton Road, London SW9 7DE*

LETTERS TO THE EDITOR

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An inadequate defence of Adam Smith

From Prof Jeffrey M. Herbener.

Sir, The more 20th century economists study Adam Smith the lower their opinion of him goes. The evidence has become so overwhelming that those, like Dr Eamonn Butler (Letters, July 11), who attempt to defend him are reduced to slandering his opponents.

Dr Butler acknowledges Smith's central error: the labour theory of value, and that it was the basis for Marx's destructive musings on capitalism. But this is only one reason Murray N. Rothbard, in his monumental history of thought (Edward Elgar, 1995), agreed with Joseph Schumpeter that Smith shunted economics on to the wrong track. In almost every area of economic theory, Smith was wrong.

Smith did not devote the bulk of his *Wealth of Nations* to what Dr Butler considers to be major contributions – the "invisible hand" and a critique of trade restraints. Instead, Smith wrote interminably on his worst area: monetary affairs. And far from being a precursor to the modern empirical method, as Dr Butler asserts, Smith's empirical analysis consists of long, rambling citations of data with no systematic bearing on theoretical questions. Aside from synthesising the work of modern Smith scholars, Prof Rothbard's unique contribution was to show the fall-back argument that all pioneers make such mistakes as they blaze new trails is also wrong. Many authors who preceded Smith presented a far superior economics; in particular Richard Cantillon's treatise, that Smith read, and the views of A.R.J. Turgot, that Smith knew.

As head of the Adam Smith Institute, Dr Butler is enraged that anyone should prefer the French and continental tradition over the British. But if he wants to rehabilitate Smith he must demonstrate that modern scholarship is wrong and that Smith was at least as good an economist as Cantillon. For such a daunting task, defaming Professor Rothbard will not suffice.

Jeffrey M. Herbener,
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Olympics grip

From Mr Simon Buckingham.

Sir, I enjoyed reading Peter Aspden's article "The gigantic Olympics" (July 13/14) on a flight back from Atlanta. It was interesting to see in Atlanta that the International Olympic Committee has the word "Olympic" copyrighted, such that non-sponsors cannot refer to "the Olympic ideal", "the Olympic family", etc.

Instead, such companies exploit the fact that the word Olympic is associated with such nouns and refer to "the spirit of the games", "a fantastic experience". Not that this matters as nearly everyone seems to be a sponsor of the US Olympic team.

Simon Buckingham,
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Relatively unarguable judgment presented

From Mr Peter Cave.

Sir, Hugh Dickinson is concerned about the claim that all judgments are relative ("Why the time for rules is past", July 13/14).

When he next encounters the claim, he should simply ask whether it, too, is relative. If it is, he may safely ignore it – for its being true just for the speaker would seem to amount to nothing more than that the speaker believes it – and Hugh Dickinson can maintain that the speaker merely has a false belief (absolutely). If the claim is not relative, then we have a contradiction and the claim that all judgments are relative is false – absolutely.

These issues have not, by the way, needed to wait for post-modernism to be discovered. Relativist claims and this type of resolution are to be found in Plato's *Theaetetus*.

Peter Cave,
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Far better than a single Euro-currency

From Mr Ken Gaskin.

Sir, It surprises me that the financial experts at Brussels are so parochial and near-sighted as to wish to introduce only a single European currency when there already exists one they could adopt. And it is one which is backed by the greatest superpower with the most powerful economy in the world, and is universally recognised to the extent that all the important commodities – oil, precious stones, gold etc – are traded in it.

This currency is so powerful that even the suspicion of a hint that its exchequer might raise interest rates causes a 40 point drop in the Footsie and nearly sends the Nikkei into free fall. Think of the saving in printing costs!

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US achieving unprecedented penetration of German economy

From Mr Dieter Schultze-Zeu and Mr James A. Hart.

Sir, Your coverage of Germany is very good but you missed the excellent survey in the July 10 Frankfurter Allgemeine Zeitung, *Germany's Top 100 Industrial Corporations for 1995*. This 38th annual study reveals the deep penetration of the German economy by American multinational companies, unprecedented in today's world. Fourteen US companies are placed on this list, far ahead of second-ranking The Netherlands with two. (Japan did not figure at all).

American corporations have been doing extremely well throughout the entire life of the survey. By contrast, only two German companies appear in the 100 largest industrials in the US as compiled by Fortune. Daimler Benz, as usual, ranked first in Germany in 1995 with sales of DM103bn.

But General Motors, through its German subsidiary, Adam Opel, ranked 15th with DM25.9bn and Ford, through Ford-Werke, was 16th with DM25bn. Philip Morris actually had two subsidiaries on this list while others, including IBM, Exxon, Hewlett-Packard, Coca-Cola and Procter & Gamble, and Motorola had one each.

Ten of these 14 US companies reported increased sales in 1995 over 1994. Only one reported a loss.

Some 2,000 American companies now produce goods and services in Germany worth about \$200bn per year, equal to 10 per cent of German gross domestic product. That is five times the combined goods and services exported by the US to Germany. They have far more direct investment in Germany (\$50bn) than second placed The Netherlands (\$39bn). And the lead was lengthened in 1995 with the acquisition of 138 German companies while the UK was second with 70.

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War of words on the wireless

Raymond Snoddy on the battle over the BBC World Service

A small war has broken out in a far-flung outpost of the BBC empire – the headquarters of the World Service at Bush House in London's Aldwych.

The battle will come to a head tomorrow when Mr John Birt, director-general of the BBC, will give evidence to the Commons foreign affairs committee on reorganisation plans for the BBC's English language overseas radio service. The House of Lords is also expected to get involved in the controversy during tomorrow's final parliamentary session on the government's new Broadcasting Bill.

On one side of the barricades are what appears to be most of the staff of the World Service and its former managing directors. Mr John Tusa, managing director between 1986 and 1992, described the reorganisation as "*one of the greatest acts of* vandalism ever perpetrated against the World Service".

On the other are the more isolated figures of Mr Birt and Sir Christopher Bland, the BBC chairman. They argue equally vehemently that the changes will save money and underpin the quality of the World Service which anyway is not like "a statue in the garden that needs preservation".

The restructuring of the World Service is part of a wider reorganisation at the BBC designed to equip the Corporation for "the digital age". Separate directorates for radio and television are being replaced by functional managerial units which will straddle both media.

Of these, BBC Broadcasting will be responsible for commissioning virtually all programmes. BBC Production will produce all programmes. And BBC News will supply all news and current affairs.

Radio has been promised equality with television in the new corporate structure. But opponents of the changes are sceptical: they worry that television will tend to be the dominant medium in setting priorities because of its voracious appetite for money.

However, it is in the World Service where the most intense controversy has been generated – controversy which has led to demonstrations outside Bush House and the creation of a Campaign to Save the World Service.

PA

John Birt (right) and Sir Christopher Bland launching the plan

Under the new plan the World Service, which is funded by government grant, would retain the right to commission programmes. But the programmes would be made by BBC News and BBC Production under contract – rather than at Bush House as now.

The opposition to the reorganisation has been strengthened by the failure to consult senior managers abcut them. Mr Sam Younger, managing director of the World Service, was informed by Mr Birt the day before the announcement was made.

"You cannot manage by plebiscite," Sir Christopher explained this week.

At a meeting of the Campaign to Save World Service earlier this month Baroness James – the novelist P.D. James and a former governor of the BBC – said she did not know whether to be more appalled by the decision itself or by the way in which it was arrived at.

"Arrogance, extraordinary arrogance. I would like to say both to John Birt and to the new chairman that they do not own the BBC," she said. "The World Service is not a private company. It belongs to this country and the people of this country and the people of the world."

It is easier, however, to savour the emotion and the rhetoric than to identify exactly what is at stake or what might be lost as a result of the reorganisation.

Opponents of the changes such as Mr Tusa argue it is difficult to see how money will be saved by partial integration with the rest of the BBC. Programmes made in Bush House cost 36 per cent less than those made at Broadcasting House.

But the opponents also say there are more important subjective and cultural issues at stake. They believe the quality of the World Service and its international outlook are a product of its own 24-hour newsroom staffed by journalists who understand the subtleties of broadcasting to multicultural audiences.

It is also important, they argue, that World Service staff are physically in the same building as the staff of the 42 services broadcasting in languages other than English so there can be cross-fertilisation of ideas. Under the restructuring plan, the 42 "vernacular" services will remain a separate organisation within the BBC.

The row comes at a time when overall audiences for what is already the world's most successful international broadcaster are rising. The number listening to the World Service each week in those parts of the world where measurements are possible has risen in the past year from 133m to 140m.

Sir Christopher has promised that the authority of the World Service will not be reduced by the changes. He told the conference of the Radio Academy, the association for the industry's professionals which is now meeting in Birmingham, that its programmes would remain distinct from those in other areas of the BBC.

A dedicated team in BBC News will be responsible for the news programmes made for the World Service. And all those involved in World Service programmes are likely to stay in Bush House until the end of 1998.

"To those who argue that 'if it ain't broke don't fix it', I say: the World Service may not be 'broke' now but we want to ensure that it doesn't become 'broke' – in any sense of the word – in future," Sir Christopher added.

It was an allusion to the fact that the World Service budget is under pressure from the government. This year the current budget is £135.6m, with an additional £19.7m for capital spending. But the service faces reductions of £5m in capital for this year, with further cuts of £4m in capital and £4m in operating costs proposed for 1997-98.

Mr Birt emphasised this week that where new ideas had been introduced into the BBC – such as the creation of an internal market for BBC producers – they have been "conspiciously and demonstrably successful" at squeezing more out of budgets. But the World Service is already so admired and demonstrably successful that he will face an uphill struggle to persuade people of the merits of the reorganisation.

Regional programmes for the UK and the foreign language output of the World Service are both already excluded from the wider BBC managerial restructuring. Opponents of the changes argue that one other small exception could be made for this jewel of British broadcasting.

Those opponents set much store by how the Commons foreign affairs committee assesses the conflicting arguments. The changes could be stopped in their tracks if the Foreign and Commonwealth Office decides that is not how it wants its money spent.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday July 17 1996

A change of market mood

The magical sheen which once coated America's technology stocks has faded. Valuations which defied gravity are now closer to terra firma. The slide in high-tech issues over the past few weeks has taken the Nasdaq index – in which such companies are heavily represented – down by nearly 18 per cent.

Not a moment too soon, those in less glamorous businesses might feel. But stock markets deliver the roughest of justice: every time an electronics business announces poor sales, companies thousands of miles from Silicon Valley suffer too. True, the drop in the broader-based US indices has been only half as severe as in the Nasdaq index. But even industrial companies like Chrysler, which reported sparkling results last week, have seen their shares affected. And European stock markets, largely insulated from the equity fever which pushed US valuations so high, have suffered too.

There are two striking aspects to the recent market weakness. The first is the way in which temporary setbacks have fed on themselves, creating a steady downtrend. Earlier this year, each brief decline in US equities was a signal for a fresh wave of buying by investors in search of bargains. That mood has gone. Mutual funds which powered the last stages of the rally have run short of cash, and may soon face net redemptions. The youthful entrepreneurs queueing up to become paper millionaires have found their initial public offerings indefinitely postponed. Once a self-reinforcing spiral of optimism has been broken, it is hard to repair.

The second theme is the way in which the familiar linkage between the equity and bond markets has weakened in recent weeks. Bond yields have dropped back from the levels which made equities appear shriekingly over-extended – but stocks have none the less fallen. European investors had congratulated themselves on the way in which their local bond markets had decoupled themselves from the weaknesses in US bonds earlier this year. Now, with US treasuries healthier, it is the turn of European bond markets – particularly the high-yielding "Emu convergence plays" of southern Europe – to suffer. Just as galling, European equity markets have followed their US counterparts down.

The markets were expecting Mr Alan Greenspan, the Federal Reserve chairman, to offer hints of interest-rate rises to Congress in his testimony due tomorrow. With equities running scared, he may equivocate even more than usual. The short-term outlook for US markets hangs on the interpretation of his comments. Too soft a line on inflation might add bond market weakness to the equity market decline. Too pessimistic a view of growth might trigger a fresh bout of stock-market selling. Until the US markets recover their nerve, all news is bad news – for European equities as well as their transatlantic cousins.

Jobs dilemmas

A significant proportion of the employable population of the advanced industrial countries suffer from low earnings, long spells of unemployment or both. This much is widely understood. What is both valuable and disturbing about this year's Employment Outlook from the Organisation for Economic Co-operation and Development is that it demonstrates the complexity of the problem and the absence of clear solutions.

On inequality of earnings, for example, the OECD has a surprising finding. While earnings inequality rose in many countries over the 1980s, only the UK and US have continued to experience a rapid rise in inequality during the first half of the 1990s. In Australia, New Zealand and the US, rising inequality has meant stagnation, or even falls in the real wages of men in the bottom half of the earnings distribution.

Some have argued that rising inequality is the price of low unemployment. Yet the OECD comes to the surprising conclusion that "there is no significant tendency for employment to be lower and unemployment higher for inexperienced or low-skilled workers in countries where there are relatively few low-paid jobs available." Since it also finds that upward earnings mobility is no greater in countries with high inequality than in those with low inequality, it would seem forced to the conclusion that rising inequality brings no benefits to the labour market whatsoever.

Much further work on this is needed. But even what the OECD says should be enough to enrage the governments of several OECD countries, not least the UK's.

The report also focuses attention on one important group of marginalised workers – the young. Over the 1980s and 1990s employment rates of young men have declined across a large number of countries. The OECD argues that an important explanation for differences in youth employment is overall labour market conditions: the young are the last to be hired and the first to be fired. The logic of the OECD's position would seem to be a call for more rapid growth of aggregate demand.

Equally question-raising is the discussion of the link between social welfare and work. Unemployment and poverty traps necessarily arise whenever benefits are means tested. If those benefits are to be affordable for the exchequer and yet high enough to sustain a reasonable standard of living, particularly for children, high rates of withdrawal will inevitably be imposed. Incentives will then be affected, either to work or to increase earnings, depending on the nature of the benefit.

The market for labour determines the livelihood of most in society. That it is not working satisfactorily in most OECD members is worrying. That the OECD provides many more questions than answers is more so.

Regulating BAA

As far as it goes, the latest Monopolies and Mergers Commission report on regulation of London's airports is a workmanlike document. But it does not go far enough. The report focuses on ways of improving the operation of the existing regulatory system, when a searching inquiry is needed into the fundamental premises on which it is based.

The MMC is not entirely to blame. It is constrained from challenging the monopoly of BAA, the airports operator, around which the system is built, unless it is found conclusively to have operated against the public interest.

The MMC arguably used too narrow a definition of the public interest. But the basic problem lies with the 1986 Airports Act, under which BAA was privatised. Unlike the Fair Trading Act and legislation governing other privatised monopolies, the law does not explicitly require regulation to promote competition. Yet that goal is both desirable and feasible.

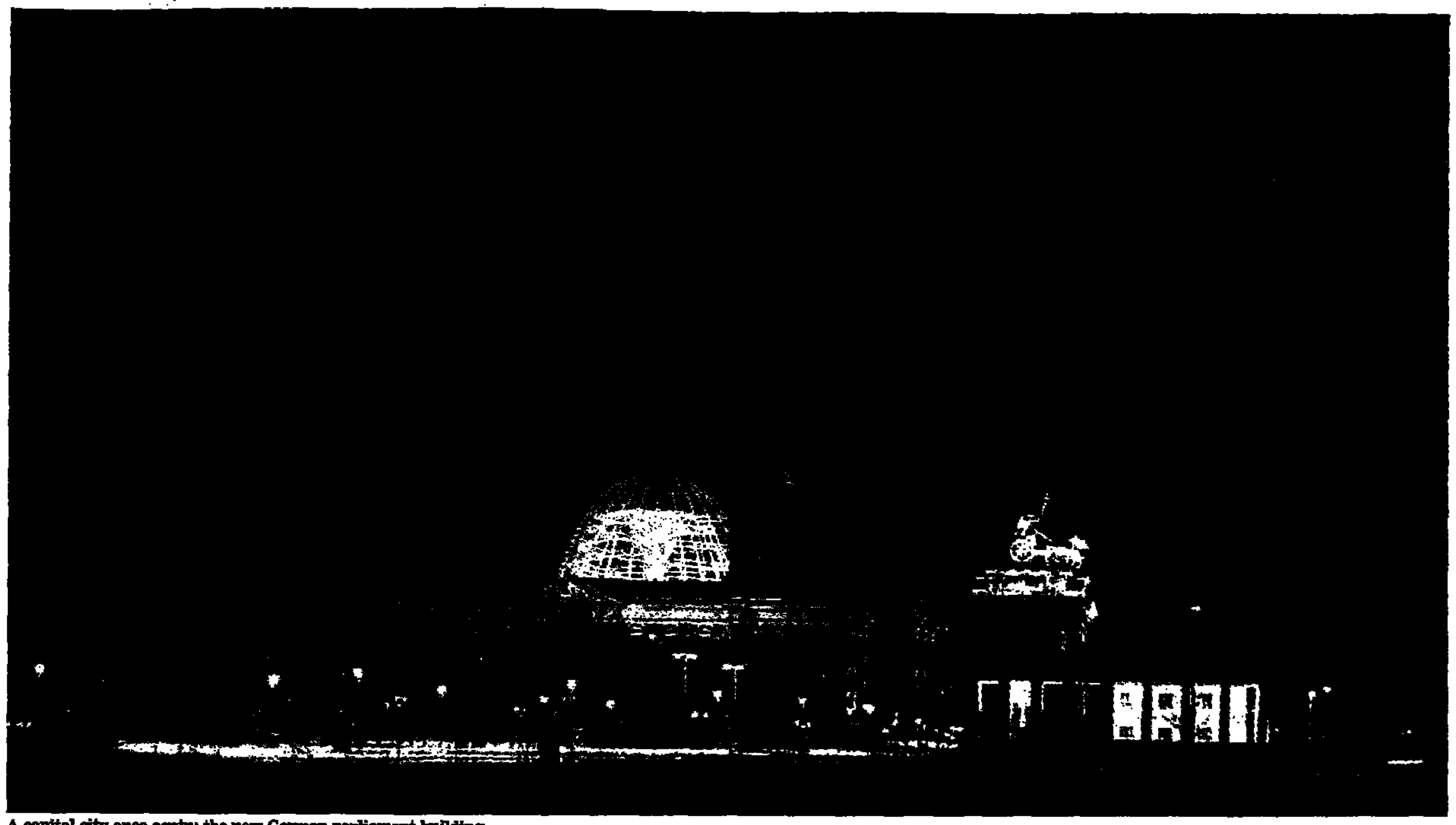
As things stand, the Civil Aviation Authority, the regulator, is required to set charges at levels which safeguard the interests of users and promote efficiency, while encouraging new investment. Balancing these priorities calls for fine guesswork. Not only do calculations of BAA's rate of return vary widely, depending on the valuation formulae used, but big assumptions have to be made about its future business performance.

The regulator also has limited tools for assessing the costs and benefits of new investment, obliging it to rely heavily on BAA's judgments. Yet the system gives the company, as a monopoly operator, a strong incentive to defer the expansion of facilities so as to maximise revenues from existing capacity. This is particularly true at Heathrow, where BAA operates in a seller's market. Equally, BAA's stock market rating, exceptionally high for a monopoly, encourages it to set high hurdle rates for new investments.

An injection of competition would make the current system less opaque, more responsive and more likely to promote efficiency. A first step would be to hold an open tender for the construction and operation of Heathrow's planned Terminal 5.

The Airports Act should be amended, to make the regulator explicitly responsible for promoting competition. Ministers should also seriously consider whether that goal can best be achieved by breaking up BAA, as recommended recently by the Commons transport committee.

These measures would not make regulation unnecessary. Indeed stricter disciplines would be required to guard against abuse of dominant positions, to the detriment of competitors and customers. But at least regulators would then be working with the market, rather than groping in an economic vacuum.



A capital city once again: the new German parliament building

Berlin searches for a role

Re-united Germany's new capital is finding that it must pay a price for becoming a more normal city, reports **Judy Dempsey**

Visitors to Berlin's "Infobox", a square-shaped steel building which stands where the Wall once cut the city in two, see at first hand the paradox which grips united Germany's capital.

Videos and plans show the vast scale of the construction under way to rebuild the centre of the city, with some DM40bn ($26bn) of investment committed on projects that should be completed by the turn of the century. Yet Berliners seem unable to find it in themselves to be optimistic about the impact of all this work on their city.

"It's hard to believe this is the same city which I grew up in," says Mr Jürgen Kessler, a 61-year-old baker who had taken time off to visit the Infobox on Potsdamerplatz. "When you see it on the videos, it is all very exciting. But it is really hard to imagine what the city will look like and feel like when all the construction is over."

If the physical Berlin is hard to visualise, its economic future is still more uncertain. The lavish physical reconstruction cannot guarantee prosperity in the years ahead. Even the thousands of politicians and civil servants due to arrive by the end of the century will not provide the capital with an economic raison d'être. Unsure of its future, Berlin is in a strikingly pessimistic mood.

Much has already been achieved since reunification in 1990 to undo the damage caused by the years of division and neglect. The city's electricity, gas, transport and water companies have invested more than DM26bn in renewing and re-unifying the separate energy grids, the water mains, the telecommunication lines and the underground and suburban railway network.

Some of these links were broken after 1949 when the east German communists took power. Others were cut after 1961 when the Berlin Wall was built. Even the city's postal codes had changed, confirming the existence of two separate entities. Now, much of the work to recreate a a united infrastructure has been done.

Making Berlin a more normal city has its own costs, however. Until German reunification in 1990, west Berlin was pampered by the federal government. Over 60 per cent of local public expenditure had been financed by Bonn. The aim was to keep people in the city, encourage companies to settle there and maintain a shining capitalist showcase in the heart of east Germany.

Young men from west Germany could escape conscription by moving to west Berlin. Companies and residents paid less tax than in the rest of the federal republic. The public sector flourished: there are 89 civil servants for every 1,000 inhabitants, the highest proportion in Germany. But since unification, the privileges have gradually disappeared.

"We are now picking up the bill for a united Germany and a united Berlin," says Ms Marta Henning, a young hairdresser. "Over 50 per cent of my income goes on taxes and other measures. I would not mind it so much if the politicians concentrate on selling Berlin as a great city instead of wasting my money on setting up new commissions to decide what buildings to tear down or keep up."

The city is in the throes of a financial crisis. Ms Annette Fugmann-Heesing, the Social Democratic senator responsible for finance, says she has to find savings of DM32bn between now and 1999 to curb a budget deficit running at an annual DM9bn.

She plans to cut the number of local civil servants by 22,000 from the current 175,000. Subsidies to the theatres and opera houses will be reduced by DM26m a year. The number of university places will be cut from 115,000 to 85,000. Investment projects, even public housing, will be postponed. "We have no choice," says Ms Fugmann-Heesing. "We lived on hand-outs until 1990. We had sufficient warnings that all the incentives and privileges would end. But the city authorities just kept spending."

The proposed cuts have already led to demonstrations by students and strikes by public transport workers. But even if Ms Fugmann-Heesing manages to implement her cost-cutting programme, she must still face the city's other crisis: unemployment – already 14.5 per cent of the labour force.

Over 75 per cent of east Berlin's industry was unable to survive the switch to a market economy after 1990. In west Berlin, industries fled the city as the tax incentives ended. But replacing this industry will not be easy. The city has yet to find a distinct economic role.

For five decades, both halves of Berlin lay outside the normal framework of economic development. "Both sides of the divide were living in an artificial state. Neither could develop economically," says Ms Fugmann-Heesing.

"West Berlin could never carve out a niche compared to Düsseldorf which is the centre of advertising, Munich which dominates electronics or Frankfurt which is the financial centre. These cities have had a 50-year head-start on Berlin," she adds.

One possibility is that simply being the country's new capital may create the dynamism the city has so far lacked. Mr Egbert Steinke of Berlin's Chamber of Commerce argues the arrival of more than 14,000 civil servants from Bonn will give the city an economic identity. "The media, the lobbies and of course culture will form the basis of the city's development as the Umzug – the government move – progresses," he says.

Others believe the Umzug will be of only limited value. "It is not enough that officials and civil servants fill this city," says Ms Ulla Luther, head of the planning and architectural department of the Berlin Senate. "We need a strong business class to push it forward."

But such a business class does not yet exist. In contrast to the prosperous cities of Hamburg, Munich, or Düsseldorf, Berlin has no large wealthy middle class. The Nazi persecution of the Jews undermined the city's flourishing and largely Jewish industrial, cultural and economic middle classes. The communists destroyed what remained of the bourgeoisie in east Berlin after their takeover in 1949.

"I really think this is the nub of the problem when we talk about Berlin trying to become normal and finding a role in the united Germany," says Ms Luther. "The city has no indigenous economic class. The Jews were killed during the war. The rich Prussian industrialists or landowners fled to west Germany soon after 1945. This city lost its role as a major textile, industrial and banking community after the war. This is the weakness of the city. It does not produce things. It is searching for a role."

Property developers, who rushed to Berlin amid the euphoria that followed the fall of the wall, are now aware of the city's weaknesses. In the belief that the government would move by 1995 – the original date set by the Bundestag – they rapidly developed new sites in the Mitte, the heart of the city before the second world war. They believed the excitement inspired by the Umzug would bring retailers and businesses.

They have been disappointed. Five years on, over 60 per cent of retailing space in the Mitte remains unlet and the office vacancy rate is set to rise from 5 per cent this year to about 10 per cent over the next 12 months. Office rentals have fallen from DM75 a square metre to under DM40 in the Mitte.

"We don't have any illusions any more," says one property developer. "Not even illusions about the local politicians who seem uninterested in promoting the city as a place for the best opera, as a city with a huge reserve of educated people or the city for doing business with eastern Europe – after all the Polish border is only 80 kilometres away."

Such pessimism perhaps underestimates the city's resilience, just as the 1990 euphoria underestimated the obstacles that lay ahead. Berlin's role as one of the world's great cities will be vividly highlighted as the rebuilding of the centre is completed. But it is hard to argue with the property developer's conclusion: "It is as if the the years of abnormality robbed Berlin of its vision and energy. We have to come to terms with that. We also have to accept that the city is no longer special, that it will take time to grow as a real metropolis. Perhaps that is what normality means."

CORRECTION

Banque Indosuez

Crédit Agricole is acquiring control of Banque Indosuez from Group Suez, not from the Paribas group as stated in yesterday's article on French banks.

· OBSERVER ·

Jackson gets to Bop

■ Nelson Mandela might be having problems selling South Africa to the world's industrialists, but he is scoring heavily with the showbiz community.

First there was Eugene Chaplin, son of the late great Charlie. Last year he announced plans to build an entertainment complex in Soweto at a cost of close to $500m.

Next came actor Omar Sharif, who had already been flirting commercially with Winnie Mandela, the president's former wife, in her capacity as head of the ANC's Women's League. Earlier this month the company which bears his name said it was planning to spend a similar sum on a hotel and casino development on the outskirts of Soweto.

But all this may pale into insignificance when pop singer Michael Jackson arrives in South Africa tomorrow. Speculation is rife that he will appear at Sun City, the over-the-top hotel, entertainment and casino complex in the former homeland of Bophuthatswana, to reveal plans for a multi-million dollar theme park.

Shadows have been lengthening over Sun City, created by Sol Kerzner in the 1980s, since the government announced it was going to grant many more casino licences throughout the country.

It's entirely appropriate that Wacko Jacko, as the singer is popularly known, should be its saviour.

Very very daft

■ India, perhaps the sole country to have not merely Very Important Persons but also "Very Very Important Persons" is grappling with a tough security conundrum, according to the venerable Times of India newspaper. What if a VVIP is sent to jail?

This weighty question has been prompted by the possibility of former prime minister Narasimha Rao being remanded in custody, after his recent summons in a $100,000 fraud case. The Times reports that Delhi's Tihar jail is preparing a cell – with "foolproof security" – just in case. But would he take with him his "Z-plus" security, his allocation of five bereted and heavily-armed "black cat" commandos? If so, where would they stand? Tough questions.

"We have not come across any such situation so far," said Shyamal Datta, director of the special protection group, the commandos' boss. "Jail itself is a secure place," pointed out one lawyer, thoughtfully. But, countered another, "as hundreds of hardened criminals are inside the jail, officials have to take extra precautions for Mr Rao's security".

With a number of other Indian VIPs and VVIPs facing possible corruption trials over the next few months, this might become a growing problem. But another senior lawyer offers a reassuring thought: in a jail, "every prisoner is a VIP as far as his security is concerned".

Wunder to behold

■ Lars Windhorst, Helmut Kohl's favourite young entrepreneur, is in the clear.

After a week of paper-sifting, the state prosecutor's office in Bielefeld announced yesterday that it had terminated its investigation into alleged irregularities in the business empire of the 19-year-old German Wunderkind without finding evidence of wrongdoing.

Not that the Bielefeld prosecutors will be sitting back and sunning themselves. They are now investigating the former Windhorst employee who levelled the charges against young Lars on suspicion that the erstwhile manager has betrayed company secrets and made false accusations.

Wunderkinder, particularly those with the ear of chancellors, aren't going to be best friends with everybody.

Quick marching

■ The grass may be greener on the other side, but for those Chinese troops soon to be dispatched to Hong Kong it will in theory be a case of look but don't touch.

Major General Liu Zhenwu, the head of the People's Liberation Army garrison to be stationed in the territory after next year's handover, made his first inspection yesterday. He's under strict orders to keep his men to the straight and narrow – no bars, no betting and no leaving the barracks without permission.

Not that the PLA's budget stretches to the pricey night life of Susie Wong's Wanchai district. Maj-Gen Liu himself is reported to be on a salary of Yn1,200 per month, less than the minimum wage for domestic servants.

So Hong Kong's bar girls may be disappointed. Unless, of course, as locals fear, the soldiers try to fatten their wallets by doing a little business on the side. PLA troops would make very persuasive partners.

Pulp friction

■ The Japanese company Meiko Shokai is planning to market from late August a super-large-capacity document shredder, able to chew up and spit out a ton of paperwork every hour. It will also nicely mince cardboard containers, assorted packages and parcels of all shapes and sizes.

There is apparently no mention of a name for this brute, though it just has to be called something like Forrest Dump.

The Financial Times

50 years ago

Revaluation of the Krona
Mr. Myrdal, the Swedish Minister for Trade, declared in Stockholm yesterday that the revaluation of the krona was necessary for Sweden's economic policy, and to prevent Sweden being drawn into an international inflation process. The President of the Swedish Export Association, Mr. R. Von Heidenstam, declared that the revaluation would bring important disadvantages for Sweden's export industry. Timber export companies are somewhat distressed over the move. Most newspapers have greeted the revaluation without much enthusiasm, but point out that it was a necessary step after the preice rises in America.

Nickel Find in Tanganyika
Dar-Es-Salaam:- Large deposits of low-grade nickel have been found at Sibwesa in the Western Province of Tanganyika. The situation of the find is about 30 miles from Mpanda, where vast quantities of lead, gold and silver are known to exist. Such importance is attached to the discovery that Mr. C. Mason Farnum, of Falconbridge Nickel Mines, Ontario, is expected to arrive in Sibwesa in the near future for consultations on the spot. The Department of Lands and Mines confirms the presence of this low-grade nickel.

FINANCIAL TIMES
Wednesday July 17 1996

IMF hails 'victory' for Russia's inflation fight

By Chrystia Freeland in Moscow

The International Monetary Fund yesterday declared an unexpected victory for an ambitious Russian anti-inflation programme which was assisted by a $10bn IMF loan granted in April.

The government's economic policies were also applauded by Mr Al Gore, the US vice-president, who met President Boris Yeltsin yesterday in a sanatorium after a planned meeting on Monday had to be rescheduled.

Observers at the meeting said Mr Yeltsin appeared to be in poor health, walking haltingly and speaking slowly. Concerns about the president have overshadowed financial markets and Russian equity prices have fallen more than 25 per cent since his re-election earlier this month.

There has been concern among western and Russian economists that spending by the government in the first half of the year, as Mr Yeltsin canvassed the nation for votes, could undermine budget forecasts and push the inflation rate higher.

But Mr Stanley Fischer, the IMF deputy director, and senior US officials accompanying Mr Gore this week, agreed that the Russian government's tough financial stabilisation policies had been a success.

"What happened here was little short of miraculous," Mr Fischer said. "If you had said to anybody that there would be a hotly contested election for the Russian presidency during which inflation would steadily come down and the exchange rate remain stable they would have said you were nuts."

Mr Fischer said that, contrary to the assertions of many domestic and foreign observers, Russia had "come very close" to meeting the tough economic targets agreed with the IMF earlier this year. He said that Russia had not exceeded ceilings on the adjusted budget deficit and that any overstepping of monetary targets was "slight".

"The notion that Russia is being treated leniently is not right, fundamentally. Despite the popular perception, they have come very close to meeting targets," said Mr Fischer. "The clock is running pretty much on time ... and financial stabilisation is basically in reach."

Although Mr Fischer insisted that the credit for this achievement should go entirely to the Russian government, he admitted that Russia's success this year was a vindication for the IMF.

The fund, which had been fiercely criticised by some observers for not giving Russia enough support in the early 1990s, has come under fire from others this spring for being too generous with Moscow.

Although Mr Fischer said he believed the Russian economy was "close to the bottom" and would now begin to follow the upward trajectory of more advanced post-communist economies in countries such as Poland and the Czech Republic, he cautioned that backsliding would always remain a possibility.

Mr Fischer said Russia's biggest challenges were structural, notably the need to boost low levels of revenue collection.

Shaky Yeltsin, Page 2

Netanyahu in crisis talks as shares tumble

By Ilene Prusher in Jerusalem

Israeli shares tumbled by almost 4.5 per cent yesterday despite an emergency meeting called by Mr Benjamin Netanyahu, prime minister, with central bank and finance ministry officials in an attempt to stabilise the country's turbulent financial markets.

The price fall meant that the benchmark index has dropped 20 per cent since Mr Netanyahu took office in late May. Much of this decline has been caused by investors deserting investment funds, which have been undermined by concerns about high interest rates.

Investors continued to withdraw from provident funds, 15-year instruments that keep a high portion of their holdings in equities, and switched to high-yield bonds and short-term savings plans. Bank HaPoalim officials estimate that of the $154bn in public financial assets in Israel, about 40 per cent is held in provident funds.

The central bank and the finance ministry offered to buy government bonds, in the hope of stabilising interest rates and halting the flight from investment funds. But the equity market continued its slide – the Mishtanim fell 4.48 per cent to 170.18.

Apart from interest rates, market analysts pointed to fears about the future of Middle East peace, given the tougher line of the new rightwing government, and concerns that Mr Netanyahu's plans for budgetary restraint would be more difficult to implement than he expected.

The Histadrut, the country's largest labour organisation, was planning a strike today in protest at spending cuts of Shk4.9bn ($1.5bn) proposed by Mr Netanyahu's financial team. About 400,000 workers are expected to strike in Israel's airlines, bus company, television station, and even the ailing Tel Aviv stock exchange itself.

Seeking to calm investors, Mr Netanyahu held emergency meetings with Mr Dan Meridor, finance minister, and Mr Jacob Frenkel, Bank of Israel governor. The central bank said its plan to buy government bonds would bolster bond prices hit by the public rush to redeem the investment funds.

Finance ministry officials pointed to the need for broader reforms of the country's capital markets.

However, the Bank of Israel defended its interest rate policy, which has pushed official rates to 17 per cent. The central bank has pursued a tough monetary policy to try to keep inflation under control. The inflation rate appears headed towards an annual figure of more than 14 per cent for 1996, though the government's target is between 8 and 10 per cent.

Anti-Cuba act

Continued from Page 1

after November 1 this year could not be "extinguished".

Had Mr Clinton "waived" Title III, then no liability would have been established in US law. Under the law, "traffickers" would be liable for the market value of their expropriated property, plus treble damages if they do not end their investment once advised of a pending lawsuit.

The decision angered Congressional Republicans. "This is a capitulation to Castro and his European business partners who are financing his regime," said Mr Marc Thiessen, spokesman for Senator Jesse Helms, the principal proponent of the law.

Mr Bob Dole, the presumed Republican presidential nominee, said that if he were elected he would remove all doubts about the right of US citizens to sue foreign companies for making profits under the Castro regime.

TI profits

Continued from Page 1

$300bn, TI said. The group's results were also adversely affected by a decline in royalty income from patent licences and increased costs as it began production of a new generation of products at its plant in Avezzano, Italy.

Revenues increased in all TI businesses except semiconductors, the company said. These include defence systems and electronics, software and computers.

Semiconductor results were, however, down substantially.

The company plans to increase its focus on the more profitable and growing market for digital signal processor chips.

Switzerland seeks euro payments link to cut trading risks

By George Graham, Banking Correspondent

Switzerland is to press for a link between its national payments system and the planned Target system through which the European central bank will handle payments in euros after the introduction of the single European currency.

The Swiss National Bank believes an electronic link between the two payments systems could greatly reduce the risks involved in trading between the Swiss franc and the euro.

By allowing instantaneous settlement of trades in the two currencies, such a link could eliminate so-called Herstatt risk.

This refers to the 1974 collapse of Germany's Bankhaus Herstatt after it had received payment for one side of its foreign exchange deals but before it had paid out on its side of the bargain.

"It would definitely be our preference as a central bank to have a payment system structure by which Herstatt risks in trading euros against Swiss francs could be avoided," Dr Bruno Gehrig, a Swiss National Bank board member, said yesterday.

Target is due to start with the first phase of monetary union, at the beginning of 1999, and is planned to handle most high value payments in euros between banks across Europe.

Talks between the Swiss central bank and the European Monetary Institute on a possible link are expected to take place this summer. But the Swiss approach appears likely to be coolly received in the light of an already furious debate on Target between European Union members such as Germany and France, which are likely to join monetary union and those, such as the UK and Denmark, which are not.

Although EU countries which do not join Emu will have a right to link to Target, an argument is under way over whether their access to the system should be on the same terms as Emu members.

For Switzerland, which is not even a member of the EU, access to Target seems likely to raise even greater questions.

"We have quite a lot to do already if we are to get Target going. Why complicate matters by adding another partner?" said one continental official.

Swiss and European officials both say that there is no great technical difficulty about constructing a link between Target and Switzerland's SIC electronic clearing system.

But the EMI would have to agree to the Swiss central bank operating euro-denominated accounts for SIC participants.

In addition, the Swiss National Bank would be reluctant to operate the system if it were unable in emergencies to lend money to participant banks through a mechanism such as its Lombard lending window.

Without such a facility, a bunching of large payments could turn into a liquidity crisis.

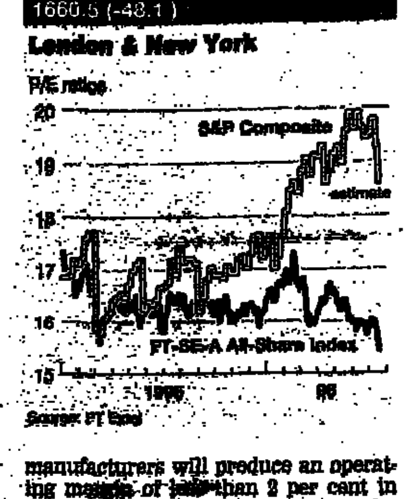
THE LEX COLUMN

Bear baiting

Across the globe, stock market bears are leaping out of the closet, gleefully predicting the beginning of the end for world equity markets. And there is much to encourage them. Investors in the US have been caught in a painful pincer movement between rising bond yields, reflecting growing inflationary fears, and new disappointments over corporate earnings. Consensus forecasts for earnings growth in 1996 have dropped from 14 per cent at the start of the year to 9 per cent. And the final blow has been a sharp drop last month in mutual fund sales: it was this flood of capital which had provided immunity from these other concerns.

Nonetheless, investors might rightly question what has changed since last month. Expectations of a rise in US interest rates are hardly new. Meanwhile, the perception of sluggish corporate earnings is being extrapolated from a very narrow source. The technology sector has been a virtual monopoly supplier of bad news. But it is smaller than the financial sector, which has so far delivered a sterling set of profit figures. And while there has been some evidence of margin erosion elsewhere, this is hardly enough to justify the recent collapse in share prices. This argues against panic, but short-term direction will depend on whether mutual fund investors have seen enough and sell out.

In theory, the knock-on effect in Europe should not be dramatic. Continental European economies are scarcely out of recession, offering the prospect of low interest rates and accelerating earnings growth. The UK looks more vulnerable, given concerns over loose monetary policy and rising consumer spending. But, in practice, if the US market plunges, the rest will be dragged down in its wake.



European cars

Is Europe's car market about to go careering off the road again? After strong growth in the first five months of this year, sales dropped 9 per cent in June. Admittedly, more than half of that was due to a 32 per cent fall in France, where June 1995 sales had been artificially inflated by tax breaks. But there is no doubt that sluggish economic growth and tax increases on the continent are catching up with the market. Of Europe's five big countries only the UK, where consumers are feeling perkier, managed an increase in registrations last month. Analysts now expect growth for Europe to be no more than 2-3 per cent for 1996.

This is bad news for an industry where profitability is under constant pressure: as a whole Europe's car manufacturers will produce an operating margin of less than 2 per cent in 1996, a year which can hardly be described as recessionary. Renault and Peugeot of France, which are too dependent on their home market, will be lucky to make it into the black this year. Even Fiat, which along with Volkswagen is winning market share, makes most of its profits in Brazil.

The main problem is overcapacity, of up to 35 per cent according to some estimates. During the past decade, carmakers have increased productivity, built new factories in eastern Europe and seen a dramatic increase in imports from Korea and Japan. Yet demand has remained static at around 14m cars a year. In the long term, such tiny margins are not sustainable given the constant need for heavy investment in new models. Carmakers will have to find big cost savings or face consolidation.

BAA

There was much ritual hand-wringing at BAA yesterday, following the announcement of new price control proposals by its regulator. That is only to be expected: during the consultation period the airports group has every incentive to stress how tough a regime it faces. But the City, which pushed BAA's shares up 3 per cent in a falling market, quickly spotted that the company is being treated leniently.

While other regulated utilities have to make do with real rates of return of 6-7 per cent, BAA is being allowed a projected return of 9.6 per cent in the first year of the proposed new cap. True, the regulator projects this will fall to 7.5 per cent by 2002. But given that the projections take no account of BAA's scope for improving productivity, it would not be surprising if returns exceeded even that relatively generous level.

BAA has secured such favourable treatment mainly because it says it needs extra profits now to fund the development of a fifth terminal at Heathrow. Such a curious argument would not pass muster in a competitive market. Say a company with four shopping centres wanted to build a fifth; the idea that it should put up rents in all its centres even once the new one opened – let alone years in advance – would be laughed out of court. The company would expect to recoup its investment out of rents from the new centre's tenants. Similarly, one might expect BAA to recoup the £1.6bn ($2.5bn) needed to build Terminal 5 from the rents and charges it will levy once it opens. Still, so long as its regulator think otherwise shareholders will not complain.

UK takeovers

With only days to go, the bid is on a knife-edge, shareholders seem evenly split and the directors of the target company are chewing their fingernails. Then along comes their company's financial adviser and buys a chunk of their shares in the market, sinks the bid, saves the company and creates an extremely grateful client in the process.

Something very like this happened yesterday. Goldsborough Healthcare, a small nursing homes operator, survived a takeover attempt by larger rival Westminster Health Care. Its victory can be attributed, at least in part, to the fact that SBC Warburg, Goldsborough's merchant bank, snapped up 4.1 per cent of Goldsborough's shares in the market.

None of this contravenes Takeover Panel rules. Indeed, an adviser can buy up to 15 per cent of its client's shares at any price, as long as it bears the full economic risks of the purchase and promptly discloses what it has done. Nor is this the first time the technique has been used. Devenish's advisers did much the same when the pubs group narrowly escaped the attention of Boddingtons three years ago.

Nevertheless, this is a technique which seems more designed to frustrate hostile bids and preserve managements' jobs than to protect shareholders. It leaves a bad taste. Even if the bank loses money on the stake it buys – SBC Warburg is already sitting on a loss on its Goldsborough shares – its client will live to pay fees another day. The panel should ban the practice.

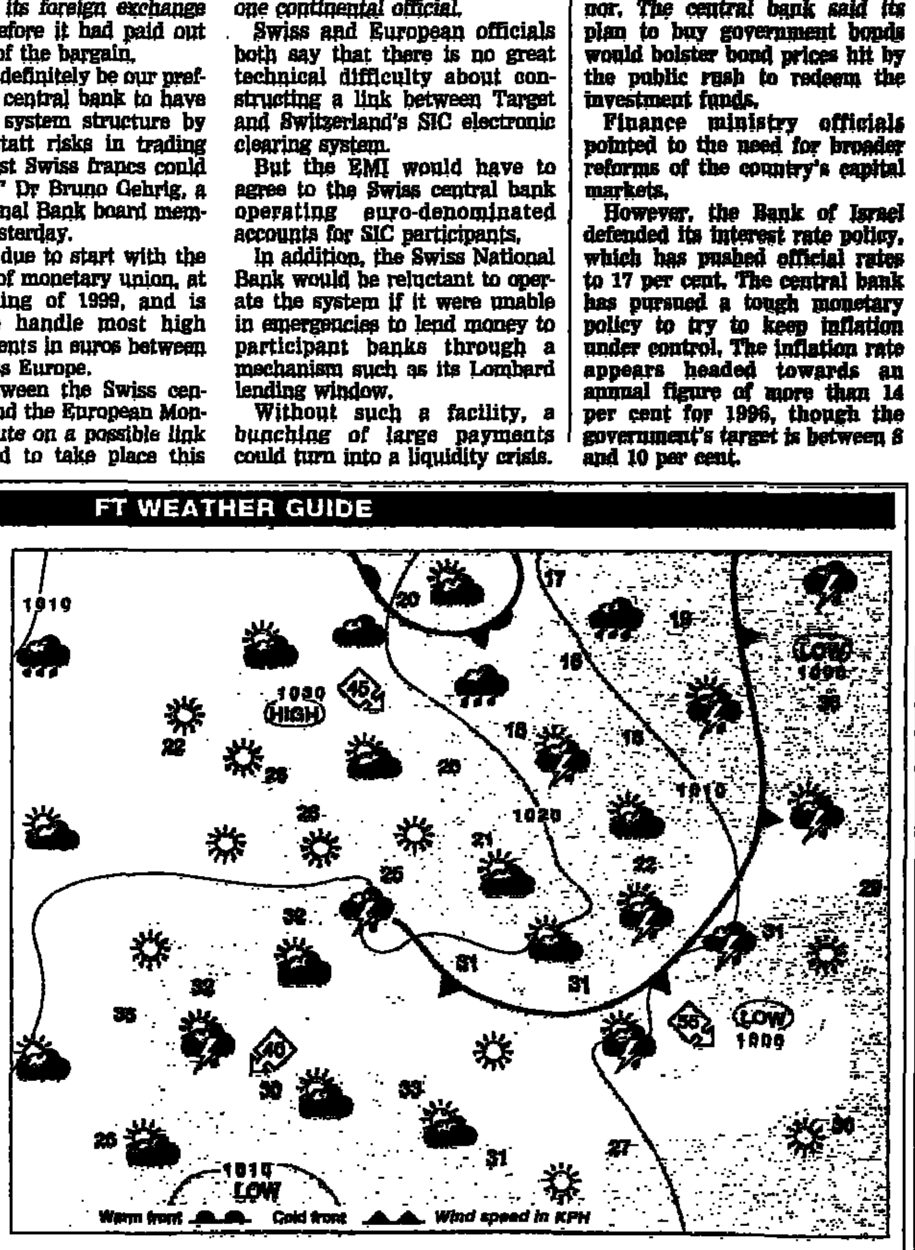
FT WEATHER GUIDE

Europe today

High pressure over western parts of the North Sea will result in dry and calm conditions throughout the British Isles. Most areas will be sunny, although the east coast of Scotland will have patchy cloud. Temperatures will range from 18C in Scotland to 26C in southern England. The Benelux and Germany will have sunny spells and patchy cloud with temperatures between 20C-22C. Temperatures in northern France will reach 28C, while southern France will climb as high as 32C with thunderstorms likely. Spain will continue warm but will be cloudy with the possibility of thunderstorms in the south. Sunny periods will prevail in Italy where afternoon temperatures will be around 31C. The Alps will be fair while showers are likely in eastern Europe.

Five-day forecast

Rain will spread over the British Isles later in the week and the high pressure system will head towards Poland and the northern Balkans. As a result, temperatures will increase to 25C. Fair conditions will prevail in most of France, Spain and Italy, though occasional thunder showers may develop.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	cloudy	27
Algiers	fair	30
Amsterdam	fair	20
Athens	fair	32
Atlanta	thund	33
B. Aires	sun	11
B.ham	sun	24
Bangkok	thund	36
Barcelona	sun	28
Beijing	thund	31
Belfast	sun	23
Belgrade	fair	20
Berlin	sun	20
Bermuda	fair	29
Bogota	fair	19
Bombay	rain	30
Brussels	fair	22
Budapest	fair	20
C.hagen	fair	19
Cairo	sun	37
Cape Town	fair	16
Caracas	cloudy	31
Cardiff	sun	24
Casablanca	fair	27
Chicago	fair	29
Cologne	sun	22
Dakar	fair	30
Dallas	fair	36
Delhi	cloudy	35
Dubai	sun	43
Dublin	sun	22
Dubrovnik	sun	28
Edinburgh	sun	21
Faro	sun	29
Frankfurt	sun	25
Geneva	fair	26
Gibraltar	sun	27
Glasgow	sun	23
Hamburg	sun	18
Helsinki	shower	17
Hong Kong	cloudy	31
Honolulu	fair	32
Istanbul	rain	28
Jakarta	cloudy	31
Jersey	sun	21
Karachi	shower	35
Kuwait	sun	42
L. Angeles	fair	24
Las Palmas	sun	29
Lima	cloudy	18
Lisbon	sun	33
London	sun	26
Lux.bourg	sun	24
Lyon	sun	27
Madeira	sun	26
Madrid	sun	32
Majorca	sun	31
Malta	sun	30
Manchester	sun	23
Manila	fair	33
Melbourne	cloudy	13
Mexico City	cloudy	23
Miami	fair	32
Milan	shower	25
Montreal	cloudy	28
Moscow	rain	19
Munich	fair	23
Nairobi	shower	24
Naples	sun	30
Nassau	fair	32
New York	fair	33
Nice	fair	29
Nicosia	sun	35
Oslo	cloudy	20
Paris	sun	28
Perth	shower	17
Prague	fair	20
Rangoon	cloudy	33
Reykjavik	rain	14
Rio	shower	24
Rome	fair	31
S. Frsco	fair	21
Seoul	rain	27
Singapore	cloudy	30
Stockholm	shower	18
Strasbourg	sun	26
Sydney	sun	16
Tangier	sun	29
Tel Aviv	fair	33
Tokyo	fair	32
Toronto	fair	28
Vancouver	rain	20
Venice	sun	26
Vienna	fair	21
Warsaw	rain	18
Washington	sun	36
Wellington	rain	11
Winnipeg	thund	28
Zurich	sun	25

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 17 1996

IN BRIEF

ING Barings ends poaching lawsuit

The most bitter dispute in recent years about poaching in investment banking ended when ING Barings said it had settled the lawsuit it launched last month against rival Deutsche Morgan Grenfell over the poaching of 72 of its Latin American equities staff. Page 15

Munich Re to join DAX index
Munich Re, the German reinsurer, is to join Germany's 30-share DAX index from September 23, replacing Continental, the tyre group, the German bourse said. Metallgesellschaft, the metals group, will also leave the index later in the year to make room for Deutsche Telekom, which is expected to sell its shares on the exchange in November.

New World nears takeover of King World
New World Communications, the US television station is in the closing stages of talks to take over King World, a leading TV production and programme syndication company, in an all-share deal reported to be worth almost $1.5bn. Page 14

Spanish banks join Endesa in telecoms bid
Two big Spanish domestic financial groups, Banco Santander and Banco Central Hispano (BCH), have joined with Endesa, the state-controlled electricity generator, to form the core of a consortium which looks set to run Spain's second telephone operator. Page 15

Nestlé sees renewed annual sales growth
Nestlé, the world's biggest food group, increased its sales by 5.8 per cent to SFr28.4bn ($22.6bn) in the first half of 1996 and expects its full-year sales to rise more than 6 per cent to more than SFr60bn. Page 15

Ahold raises Fl 3bn in international issue
An international share issue by Ahold, the Netherlands' leading supermarkets group, survived the tumble in world equity markets to raise Fl 3.06bn ($1.79bn). Excluding privatisations, the offer was the biggest by a Dutch company. Page 15

Wheelock meets forecasts with 6.6% rise
Wheelock and Company, the Hong Kong conglomerate, reported a 6.6 per cent rise in full-year net profits to HK$2.46bn (US$318m), in line with expectations. Page 16

Two Australian groups issue warnings
CSR, the building materials, sugar and aluminium producer, and David Jones, the recently-floated department stores group, provided further evidence of the difficulties facing Australia's corporate sector as both issued profits warnings. Page 16

Costain shareholder attacks rescue plan
Costain, the UK construction group, was accused by one of its largest shareholders, Kharafi of Kuwait, of trying to railroad investors into accepting a rescue refinancing. Page 17

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Allianz	2550	-	77
Bilfinger & Bg	595	-	29
Hochtief	658	-	16
Kali & Salz	223.5	-	10.5
Lahmeyer	570	-	25
VEW	428	-	37
NEW YORK ($)			
Rises			
Homeng Pow	19⅝	+	1⅛
Falls			
Chesapeake Enr	57½	-	10⅛
Dayton Hudson	84⅛	-	6⅝
Dime Corp	30¼	-	7
HFS	51¼	-	6⅝
Tiffany & Co	80¼	-	5¼
LONDON (Pence)			
Rises			
OGC	127	+	7
Falls			
ADT	1138	-	175
BTG	1525	-	128
Hunting	143	-	34
Orange	182½	-	7½
Tay Homes	121	-	25
TORONTO (C$)			
Rises			
Brookfld Homes	5.05	+	0.55
Falls			
Ballard Power	25.75	-	2.25
Cognos	28.00	-	2.00
Hummingbird	34.40	-	2.60
Imax	42.00	-	3.50
Placer Dome	29.90	-	2.65

PARIS (FFr)			
Falls			
Alcatel	407	-	12.70
Bongrain	2400	-	70
Eurafrance	1952	-	57
l'Oreal	1515	-	41
Paribas	1192	-	29
Pinault Printp	1553	-	51
TOKYO (Yen)			
Rises			
Gen Sekiyu	921	+	17
Falls			
Canon	2010	-	140
Citizen Watch	860	-	23
Fuji Bank	2140	-	50
Tokyo Electron	3280	-	70
Toyo Seikan	3570	-	110
HONG KONG (HK$)			
Rises			
China Pharma	0.92	+	0.10
Truly Intl.	1.93	+	0.11
Yugang Intl.	1.20	+	0.12
Falls			
Miramar Hotel	15.55	-	0.55
Television Brd	28.40	-	0.80
Wharf Hldgs.	26.25	-	0.55
BANGKOK (Baht)			
Rises			
First Asia Sec	100.00	+	5.50
Kulthorn Kirby	40.00	+	2.25
Siam Gen Fac	53.50	+	3.00
Falls			
Foremost	102.00	-	6.00
Thai Airways	47.25	-	5.25
Unithai Line	60.00	-	5.00

New York & Toronto prices at 12.30.

Semiconductor groups cut production plans

By William Dawkins in Tokyo and Christopher Parkes in Los Angeles

Two leading semiconductor makers – one on each side of the Pacific – yesterday applied the brakes to their production plans in response to the collapse in world chip prices.

Hitachi, Japan's largest electronic equipment maker, said it had halted output at a new semiconductor plant and postponed big investments in new capacity. Rockwell International of the US said it would delay starting production for at least a year at a $1.2bn semiconductor wafer factory under construction in Colorado Springs and would buy in wafers instead.

Hitachi's decision, the most significant response yet by Japanese semiconductor makers to price falls, triggered further selling of Japanese electronics shares, already dragged down by last week's announcements of poor trading conditions by Hewlett Packard and Motorola of the US.

Spot market prices of 16-megabit dynamic random access memory chips (D-Rams) have collapsed from $48 per chip at the turn of the year to $14 or less now, even though deliveries of personal computers are still rising at between 15 per cent and 20 per cent annually.

But Mr David Benda, electronics analyst at BZW Securities in Tokyo, said Hitachi's production and investment cuts would do little to cut the world semiconductor industry's surplus capacity, estimated at about 15 per cent.

Rockwell, which claims 70 per cent of the fast growing global market for computer modems, put a positive slant on its decision to buy in components. Mr Donald Beall, chairman, said the Colorado Springs delay "by no means affects our long-term wafer manufacturing strategy or our capacity requirements".

But now there was an "attractive cost opportunity" to buy in components and so the planned delay of the Colorado Springs opening until at least July 1998 would have a positive impact on 1997 earnings.

However, he also indicated current market conditions could prevail for up to 18 months, raising the prospect of further delays and production cuts.

Hitachi's move followed a series of production cuts – but not wholesale suspensions – by several Japanese semiconductor companies, including NEC and Mitsubishi Electric, as well as by South Korea's Samsung.

Hitachi has halted production of 16-megabit D-Rams, – used in the latest personal computers – at its Takasaki plant, which opened in Gunma, north-west of Tokyo, only last December. It hopes to resume production early next year. The result will be to cut monthly output of 16-megabit D-Rams by 10 per cent to 9m.

Hitachi officials said the group had also indefinitely shelved the imminent Y20bn ($180m) expansion of the Takasaki plant – from 1m to 3m memory chips per month – and delayed expansion of a semiconductor plant in Germany from the coming autumn until early 1997.

Rockwell results, Page 14

US mutual funds have to face the music as bull market hits the wall

The gathering weight of bearish professional opinion on Wall Street has at last crashed through. By mid-session, the Dow Jones Average had achieved the looked-for minimum 10 per cent correction since the year's high. Moreover, there has been a more severe bloodbath among small market capitalisation and technology stocks.

The dip in mutual fund net sales to about $15bn in June, against a monthly average of about $25bn since January, may finally have allowed the bears to dominate. The continuing large oversupply of often speculative new flotations will have helped to tip the balance. According to Securities Data, total equity issuance, including secondary issues as well as initial public offerings, topped $40bn in the second quarter, beating the previous quarterly record by more than half.

The jump in the long bond yield to almost 7¼ per cent on the payroll figures this month put equity market valuations under pressure. Ironically, bond yields have fallen somewhat – as they did during the 1987 crash – on the view that money will shift from equities into bonds.

The big picture is that heavy inflows from foreign central banks into US Treasuries in the first quarter, when the Bank of Japan was desperately trying to hold the yen down, have ceased and may well have turned into outflows. This means that domestic US savings must once again be harnessed to finance the government's budget deficit. The conditions which inflated a stock market bubble are dissipating.

What will the US Federal Reserve do now? The Fed has been worried about the stock market bubble but may also have feared that higher interest rates could have been blamed for triggering a crash in election year. That inhibition has disappeared but now the Fed may reason that the loss of stock market value may do some of the job of a rate hike. On balance, a rise in August is less likely now.

The mutual funds industry faces an important test. The claim is that there will not be panic selling because so much of the inflows were channelled through long-term retirement contracts. There could be heavy switching out of the more aggressive equity and technology funds, which have attracted much money this year, into low-risk bond and money market funds.

The inflows are going to be abruptly cut off, even if they do not become outflows. Meanwhile, the value-conscious domestic institutions and all the foreign funds which are so underweight in US equities are potential buyers but they will only come in further down.

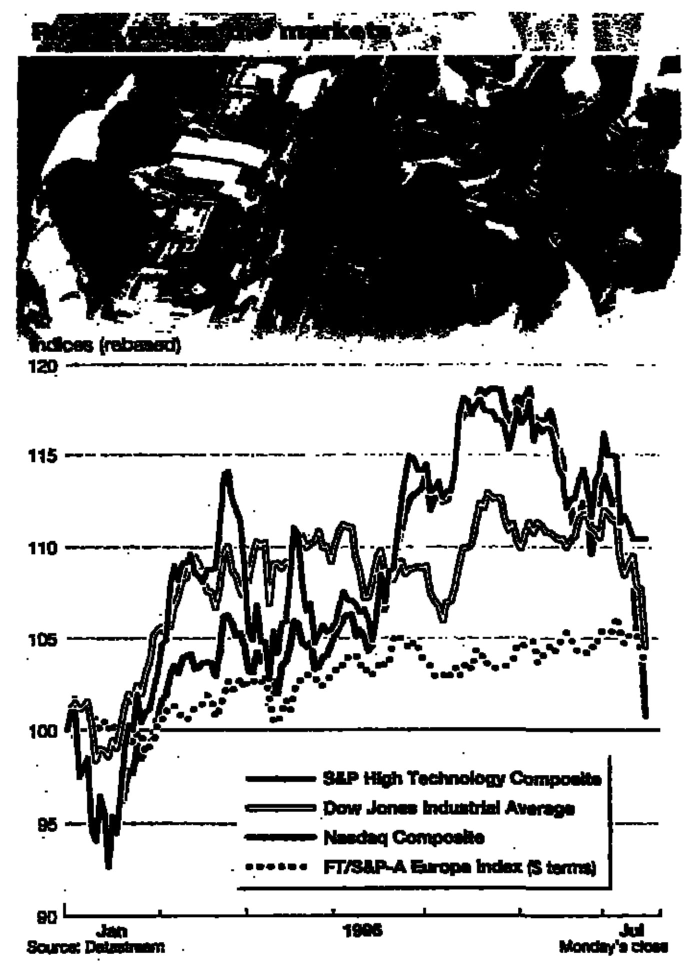
How much lower? On most of the fundamentals, US equities have looked a good 15-20 per cent overpriced. The exceptions have been some of the earnings-based measures, but earnings projections are now being hastily scaled back, especially in the shell-shocked technology sector.

By Monday evening, the Nasdaq index was down 15 per cent from its high in June and the Pacific Stock Exchange's Technology Index had come off 20 per cent in two months. This is enough to clear out of the way the buy-on-a-dip punters who have come to believe since 1990 that the US equity market is almost risk-free. Many of the institutions would like to see the Dow Jones Average well below 5,000 to fit in with their fair value measures, although that may be wishful thinking. The international issue is now that of contagion; markets around the world will be affected by Wall Street's shake-out, but not to the same degree. A well-timed study in this month's *International Bank Credit Analyst* suggests that Canada, Australia and the UK are the most vulnerable, Italy and Japan the least, Germany and France somewhere in between.

It depends, though, on the scale of Wall Street's tumble. The UK is regarded as only moderately risky on fundamentals and might stand up quite well to a gradual US correction. But yesterday the London market was under considerable pressure, although the FT-SE 100 Index closed less than 6 per cent below its 1996 high.

It is not clear whether the correction will develop into a crash. However, investors cannot complain that they were not warned.

Barry Riley



Source: Datastream

Wired Ventures postpones share sale

By Lisa Bransten in New York

Wired Ventures – the US online and traditional magazine company that has been called "the Rolling Stone of the digital revolution" – has postponed a planned initial public offering.

It is the latest in a series of IPO postponements. Another casualty of the slackening demand for technology shares was Hambrecht & Quist, the San Francisco investment bank best known for its technology business.

H&Q was to go public this summer but said on Monday that it was postponing its own offering, because of poor market conditions.

Wired Ventures had filed for its initial public offering in May and had hoped to raise around $76m by selling a 17 per cent stake in the company at up to $12 a share. This would have valued it at $447m.

Some experts on IPOs considered its valuation to be closer to that of the Internet companies it covers than those of publishing.

More than 90 per cent of Wired's revenues come from the traditional print magazine, but a valuation of about $12 a share, or 17 times last reported annual sales, put its value closer to that of Internet companies because of its World Wide Web product: HotWired.

Like other recent Internet IPOs, Wired has yet to earn a profit and its filing with the Securities and Exchange Commission notes the company "expects to incur operating and net losses for the foreseeable future".

Until recently excitement about Internet usage and soaring technology shares created demand for technology offerings. An example is Yahoo! an Internet directory service that also has yet to make a profit, priced at $13 a share in April and closed at $33 in first day dealings. Yesterday, however, Yahoo! shares were changing hands for $17¾.

Mr William Smith, an analyst at Renaissance Capital, a research firm that tracks IPOs, said Wired was one of about eight deals delayed this month: a healthy development for a market that appeared to be swamped with offerings.

Generally at this time of year there is a backlog of about 30 deals, he said, but a week ago there were 158 deals in the pipeline.

Renault's market share falls in W Europe

By David Owen in Paris and Haig Simonian in London

Renault, the French carmaker, yesterday announced a sharp decline in its market share in western Europe caused mainly by a poor performance in its home market and difficult trading conditions in southern Europe.

The setback, the latest in a string of unwelcome developments, sent shares in Europe's sixth largest carmaker falling to FFr120, a decline of FFr3.10 or 2.5 per cent on the day. At this level they are FFr19 below the price at which a group of institutional investors bought 6 per cent of the company's capital in a move that took the French state's holding to below 50 per cent for the first time in recent history. The shares are FFr45 below the level at which they were first offered to the public in November 1994.

Renault's share of the western European passenger vehicle market slipped to 9.7 per cent in the first half of 1996, from 10.6 per cent in 1995. In terms of unit sales, the rate of decline was 3.8 per cent. The market itself grew by 4.9 per cent.

Market share was hard hit in France, where domestic carmakers have had to compete with increasingly tough foreign competition. Though it remains the leader, the company's share of its home market fell to 26.2 per cent in the first half of 1996 from 31 per cent a year earlier.

Unit sales dropped sharply in southern Europe, mainly because of unfavourable exchange rate fluctuations and tax changes in Spain that favoured smaller cars. This 6.7 per cent decline came in spite of a small increase in overall market growth in the region. New car registrations in Spain fell 21.1 per cent last month, prompting fears of a significant contraction in another important market for Renault.

The company reported a decline in the market share held by both the Twingo and its top-range entrants, the Safrane and the Espace. It said the mid-range Mégane had secured a share of 2.8 per cent of Europe's biggest individual car segment in June and that its Laguna upper mid-range model had "consolidated its commercial success".

Analysts responded negatively to the figures suggesting that – with the Mégane series not yet complete – the company still, in effect, had a gap in a vital area.

"The Renault 19 was a very important model for them," said Mr John Lawson, analyst with Salomon Brothers. "What they have not done is get all the models of the Mégane on to the market yet."

GM tops forecasts with rise to $2.1bn in second quarter

By Richard Waters in New York

General Motors, the US's biggest manufacturer, yesterday shrugged off the stock market's jitters over corporate profits with second-quarter earnings which beat most analysts' expectations and said the outlook was good at least for the rest of this year.

That was not enough, though, to prevent its shares slipping 25 cents in a declining market to $46⅝ early in the day, about 19 per cent below the peak set three months ago. Along with those of other US vehicle groups, GM's shares have been hit by fears that higher interest rates would end the boom in sales.

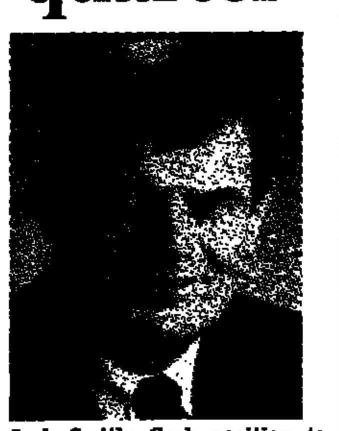
Mr Michael Losh, chief financial officer, said GM expected demand to remain around its current level for the rest of this year.

Increases in household income and a fall in unemployment pointed to a continuing high level of sales, he said.

GM's earnings from continuing operations in the latest three months were $2.1bn, up from $1.9bn a year before. Its earnings per share, at $2.63, up from $2.39 in the same period in 1995, topped the company's previous record, set 12 years ago.

GM also saw a large build-up in cash reserves in the latest three months, providing it with a war chest in the event of a strike stemming from contract negotiations due with the United Auto Workers union this summer.

It added $5.4bn to its liquid resources, taking the total to $18bn. A cash position that large would enable GM to maintain its operations and continue to develop new products during the next economic downturn, said Mr Jack Smith, chairman.



Jack Smith: Cash position to develop cars in next downturn

The company's latest earnings reflected a continuing improvement in profitability in the company's North American operations. The post-tax profit margin rose to 3.6 per cent, from 3.2 per cent a year before.

With sales advancing 6 per cent to nearly $29bn, that translated into a $170m increase in net income in the region to $1.1bn.

Outside the US, however, the group's profits were dented by a devaluation in Venezuela and higher labour and material costs in Latin America. European profits remained unchanged at $319m, while earnings from other international operations fell $90m to $105m.

Year-on-year comparisons of reported net income at GM were clouded by an unusually low tax charge in the second quarter of 1995 and a loss on the split-off of EDS, its computer services subsidiary, which took effect during the latest quarter. Reported after-tax profits were $1.9bn, compared with $2.8bn a year ago.

Focus on costs pays for Eastman Kodak

By Tony Jackson in New York

Shares in Eastman Kodak shrugged off the market's collapse yesterday in response to a 17 per cent rise in second-quarter earnings to $440m. The shares had fallen steeply last week, in part because of what the company called "unfortunate speculation" that earnings would be disappointing.

The shares were up $2 at $69¼ by lunchtime, still well short of their peak of almost $80 three weeks ago.

The rise in earnings was achieved on sales up only 5 per cent at $4.1bn. Mr Harry Kavetas, chief financial officer, said this showed the company's focus on cost reduction was paying off.

He said sales, general and administration (SG&A) expenses had fallen from 27.9 per cent of sales to 27.6 per cent in the quarter. This was despite a sharp rise in advertising expenditure, on both the new Advantix camera and on the corporate brand. Excluding advertising, SG&A had fallen in absolute terms.

In consumer imaging, US revenues rose 11 per cent to $903m. This was helped by sales of the Advantix camera system and of single-use disposable cameras, and by the Qualex photo-finishing business.

Consumer imaging sales outside the US were up 6 per cent at $1.1bn. The figure was significantly affected by the strong dollar, Mr Kavetas said. Sales worldwide were up 8 per cent at $2.0bn, while operating earnings rose 6 per cent to $422m.

In commercial imaging, revenues were up 1 per cent overall at $2.1bn, with US sales up 2 per cent and international sales flat. Earnings rose 15 per cent to $209m.

A strong point was the supply of film to the motion picture industry, Mr Kavetas said. "The film business is booming, and we're the major supplier to it," he said. Time Warner's Warner Bros studio also reported record earnings yesterday.

Mr Kavetas said losses in office equipment, such as copiers, were much smaller than a year ago. For the first half as a whole, the business had almost reached break-even. The graphics arts film business, where sales were down worldwide, continued to suffer heavy competitive pressure, and this was expected to continue.

Mr George Fisher, chairman, said: "On balance, we are pleased with the company's performance." He said the earnings rise was particularly significant given the currency movements and higher advertising expenditure.

Merrill surprises with record earnings

By Maggie Urry in New York

Merrill Lynch, the largest Wall Street brokerage, beat market expectations with record results in the second quarter. Earnings per share of $2.19 easily exceeded the consensus forecast of $1.90, according to the First Call survey of analysts' predictions.

Merrill, which acquired Smith New Court, the UK stockbroker, last year, reported net income of $433m for the three months to June 28, compared with $283m in the same quarter of 1995. It was up from $409m, a previous record, in the first three months of 1996. Earnings per share were ahead from $1.39 in the second quarter of 1995, and from $2.03 in the first quarter of this year.

The firm has been expanding from its retail brokerage background to become an investment bank offering a full range of services. It claimed the results showed the success of its "global franchise in serving issuer, investor and advisory clients".

Sector analysts had been expecting the investment banks to report lower earnings in the second quarter, as the markets became less favourable. However, although Merrill, in common with other houses, reported a fall in revenues from principal transactions, other areas of business continued to prosper.

Mr Joseph Willett, chief financial officer, said business remained strong throughout the quarter, with June the best month to date this year. He said that with more than 30 per cent of revenues coming from fee-based activities, the profit record should have some protection from the cycles which plague the sector.

Principal transactions revenues fell from $982m in the first quarter to $908m in the second, still well ahead of revenues of $615m in the same period of 1995. The rise in bond yields in the period depressed customer activity.

However, investment banking revenues jumped from $378m in the first quarter to $580m in the second, and compared with $335m last time. Merrill attributed the increase to "significantly higher underwriting revenues" as the firm retained its position as the leading underwriter of debt and equity.

Double-digit growth for US banks

By Richard Waters in New York

US banks: 2nd quarter

	Net income ($m) 1996	Net income ($m) 1995	EPS ($m) 1996	EPS ($m) 1995	Assets ($bn) 1996
Chase Manhattan	856	729	1.79	1.52	322
Citicorp	952	853	1.86	1.57	267
Wells Fargo	363	232	3.61	4.51	108
BancOne	355	308	0.80	0.70	97

Source: Companies

Chase Manhattan and Citicorp, the two biggest US banking groups, each registered double-digit earnings advances during the second three months of the year, though for very different reasons.

At Chase, cost-cutting following the merger with Chemical Banking enabled it to report a 17 per cent rise in net income on revenues which were up 5 per cent to nearly $4bn.

Citicorp, meanwhile, continued to report strong growth from its operations in the emerging markets, which contributed 58 per cent of its earnings in the latest quarter.

This more than offset higher credit card losses in the US and a retrenchment in corporate banking business in the developed world, enabling it to report a 12 per cent advance in after-tax earnings.

Chase has shed nearly 4,000 jobs since the beginning of the year, or 5 per cent of the total. That has been the biggest contributor to merger-related cost savings, which the bank put at $120m in the lastest quarter.

The containment of expenses had a marked impact on some of its main operating ratios. Its efficiency ratio (non-interest expenses to revenues) fell to 58 per cent, from 63 per cent a year before, while its return on equity climbed by 2.4 percentage points, to 18.7 per cent.

Citicorp, meanwhile, reported a $13m fall in profits from its credit card operations, to $242m, echoing the rise in losses across the plastic card industry in the US. The country's biggest credit card issuer said its loss ratio had risen to 4.99 per cent in the period, the highest level since the third quarter of 1993 and up from 3.75 per cent a year ago.

However, Mr Tom Jones, chief financial officer, said a slight reduction in loans categorised as "delinquent" (more than 90 days overdue) suggested the losses would not get worse. "It's almost inconceivable that you could have a big problem that isn't preceded by [a rise in] delinquencies," he said. Some 1.73 per cent of credit card loans were delinquent at end-June, against 1.8 per cent three months before.

Citicorp's corporate banking business in developed economies also suffered a slight fall in earnings, to $211m, as it continued to trim its least profitable lending. Total assets in this sector were $19bn lower than a year before, at roughly $80bn, in part reflecting a decision to take fewer trading positions in financial markets.

Corporate banking results also included a $60m charge as Citicorp completed its retreat from the mortgage-backed securities business.

More than offsetting these factors were higher profits from emerging markets. Earnings from consumer banking in these areas rose 16 per cent to $226m, while corporate banking income climbed by 27 per cent to $433m.

● Mr Michel Kruse, one of few senior executives from the old Chase Manhattan still with the bank following its merger with Chemical Banking, announced his departure yesterday.

Until the merger, Mr Kruse had been in charge of all of Chase's corporate and investment banking businesses - a position that went earlier this year to his counterpart at Chemical, Mr Bill Harrison.

In recent months, he has been in charge of risk management, finance, and information and transaction services. Mr Kruse is leaving "to pursue other business and personal interests," the bank said.

His departure leaves Mr Tom Labrecht, formerly Chase's chairman and now president and chief operating officer, as the only remaining senior officer from the old Chase, adding to suggestions that executives from the larger Chemical have assumed the dominant role in the new institution.

● Wells Fargo's earnings per share fell by a fifth from a year before, reflecting its use of purchase accounting for its acquisition of First Interstate.

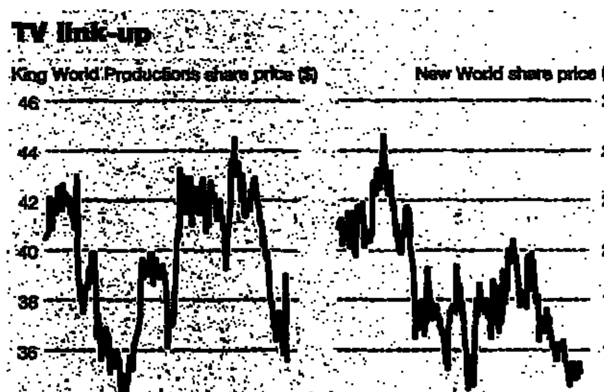
Had it not been for the goodwill amortisation associated with the deal, the bank would have earned $4.89 a share, below the $5.58 of the preceding three months.

Mr Paul Hazen, chairman, said the fall stemmed in part from merger-related costs "and because we are just beginning to realise the economic benefits of the merger".

New World close to takeover deal with King World

By Christopher Parkes

TV link-up



Source: FT Extel

New World Communications, the US television station company recently targeted for purchase by News Corporation, is in the closing stages of talks to take over King World, a leading TV production and programme syndication company.

An all-share deal, reported to be worth almost $1.5bn, has been in negotiation for several weeks, and would conclude a year-long hunt by King World for a buyer.

It might also spell an end to the ambitions of Mr Rupert Murdoch's News Corp to buy New World, which owns 10 television stations affiliated with its fast-growing Fox network.

New World's majority shareholder, New York financier Mr Ronald Perelman, has said he aims to build the company into a full-scale entertainment network.

However, some observers suggested the move on King World might be a tactical manoeuvre to make New World more attractive to News Corp or another potential buyer.

Discussions with News Corp broke down recently, reportedly over Mr Perelman's allegedly inflated estimates of his debt-laden company's value.

The range of growth options for smaller-scale station operators has been narrowed by the wave of large mergers following deregulation of US communications. At the same time, the value of established station operators has risen as big entertainment conglomerates have sought to gain control of as much distribution capacity as possible.

Several prospective bidders have been attracted by King World's cash pile of more than $500m, and its successful roster of shows, including *Wheel of Fortune* and *The Oprah Winfrey Show*, which are internationally known.

Early callers included Turner Broadcasting System, which opened talks last summer and which has since agreed to a merger with Time Warner.

However, all potential buyers have so far baulked at the reported high asking price for a company which relies heavily on ageing shows and which has had little success generating new products from its own resources. Its distribution rights over its top three properties expire in 2000.

Wheel of Fortune and *Jeopardy*, its other top-rated game show, are both made by Tri-Star Television, part of Sony. King's own productions, including news magazines and *Rolonda*, a daytime talk show, have been less successful.

Even so, the company is still prospering. Earlier this week it reported third-quarter net income up 20 per cent at $35m on revenues up 16 per cent at $166m. Profits for the year to date were 31 per cent higher at $114m.

Cash flow at Time Warner improves to $1bn

By Christopher Parkes in Los Angeles

A record performance from Warner Bros films and a new peak for the HBO pay-television division helped Time Warner increase cash flow 20 per cent to $1bn in the second quarter.

Time Inc, the publishing business and cable-TV operations, also reported cash flow up by more than 10 per cent, and group revenues ahead 9 per cent, to $4.75bn.

However, the group's net loss widened to $40m from $8m in the comparable part of 1995, and the deficit per share before extraordinary items was 26 cents, compared with 3 cents last time.

The company has not reported a profit since 1990, when Time Inc merged with Warner, mainly because of amortisation and interest charges associated with the deal.

Mr Gerald Levin, the chairman, said cable-TV's 13 per cent cash flow increase on a like-for-like basis marked a return to historical growth patterns.

He said he expected the group's strong performance to continue into the second half.

Although the peak of the summer movie season is past, Warner Bros was given an early lift by the unexpected success of *Twister*, which has sold almost $230m-worth of tickets since its launch in late May.

Eraser, an Arnold Schwarzenegger vehicle, is doing less well with a take of $81m so far, although future TV rights are reported to have been sold for some $12m.

The improvement from films was notable because the second quarter last year was also considered a success, thanks to *Batman Forever* and *Bridges of Madison County*.

While the removal of statutory controls over cable-TV subscriptions has helped restore the operations' fortunes, weakness was still apparent in the group's music division, where revenues fell more than 10 per cent and cashflow was unchanged at $165m.

The WB broadcasting network, a cash-hungry project designed to challenge the established CBS, ABC and NBC networks, incurred a loss of $12m, unchanged from the year-earlier figure.

Losses are expected to continue, the company said, partly because of plans to increase the network's national prime-time scheduling from two to three nights a week in September.

Publishing improved under an influx of advertising revenue to publications ranging from Fortune to People, and the group has high hopes for a temporary daily edition of Sports Illustrated during the run of the Olympic Games.

NEWS DIGEST

Rockwell shrugs off oversupply pressures

Rockwell International, the US electronics and automation group, yesterday reported a 13 per cent increase in net income, to $283m, for the third quarter and a 20 per cent jump in earnings per share to $1.04. Despite oversupply in the semiconductor market, which has prompted the group to postpone until at least mid-1998 the opening of a new $1.2bn wafer factory, its high-speed computer and fax modem operations played a leading part in the improvement.

Profits from the Semiconductor Systems division more than doubled, the group said, while revenues rose at almost the same rate, to $409m, in the review period. The high-speed modem business maintained a return on sales rate of 20 per cent.

The company said results for the 1997 financial year would also benefit from the delayed opening of the factory in Colorado Springs, where work started in February. Fitting-out costs can now be spread out over a longer period, while ample supplies of cheap wafers from other manufacturers will help keep down Rockwell's modem production costs for up to 18 months, according to Mr Donald Beall, chairman.

Automation, the group's biggest division, contributing revenues of $1bn to the quarter's total of $3.5bn, and aerospace operations also improved earnings, Mr Beall said. Although profits from avionics fell 15 per cent in the quarter, there were signs of improvement in air transport markets. Defence electronics also slipped, while aerospace operations showed a profits rise of 26 per cent – a figure distorted by extraordinary property-related reserves last time.

According to Mr Beall, yesterday's figures highlighted the transformation of the group from its former dependence on US defence contracts. Sales to commercial and foreign customers were almost 10 per cent higher than a year earlier and now accounted for 75 per cent of group revenues, he said.

Chip makers act to reduce output, Page 30

Christopher Parkes, Los Angeles

Caterpillar posts record quarter

Caterpillar, the Peoria, Illinois-based heavy equipment and engine maker, said this year's second quarter was its most profitable reporting period ever. Despite flat sales, at $4bn, net income rose to $374m, or $1.94 a share, from $323m or $1.63 in the 1995 second quarter. For the six months ended June 30, net income was $670m, or $3.46 a share, up from $623m or $3.11. First-half sales were $7.69bn, down from $7.83bn in the 1995 first half.

Caterpillar's net free cash flow rose to $803m during the first half, from $317m in the same period of 1995. The company said machine and engine sales were lower both in the US and abroad during the second quarter. As US heavy truck demand declines, Caterpillar's engine sales are slowing. However, the company revised its outlook for this year's heavy engine demand, saying that while it would be below 1995 levels, it would not drop as far as previously forecast.

Similarly, Caterpillar brushed up its forecast of US industry demand for machines, saying it would be slightly less than 1995 levels. However, it cautioned that the strengthening US dollar could dent the company's future earnings. Half of Caterpillar's annual sales are outside the US, while most of its production capacity is within the US. "Although the stronger dollar benefited second-quarter margins, over the longer term a significantly stronger dollar will have an unfavourable impact," the company said. *Laurie Morse, Chicago*

Weak sales hit Cummins Engine

Cummins Engine, the US diesel engine manufacturer, blamed a 36 per cent drop in second-quarter earnings on a sharp decline in sales of heavy-duty and mid-range truck engines. It warned that a slowdown in truck assembly would continue to depress engine sales in the second half of the year. The Columbus, Indiana-based manufacturer reported second-quarter net income of $44m, or $1.10 a share, down from $69m, or $1.69, in the same 1995 quarter. sales dropped to $1.32bn, from $1.36bn in the same period last year.

For the first half, Cummins had net income of $93m, or $2.31 a share, down from $136m, or $3.32, last year. First-half sales were $2.63bn, down from $2.69bn in the same period a year ago. Cummins said heavy-duty truck engine sales dropped 22 per cent from second-quarter 1995 levels, and 11 per cent from the first quarter of this year. Mid-range engine sales were off a more moderate 5 per cent from last year's second quarter.

The company said these declines were partially offset by improved sales of power generation equipment and engines for Dodge Ram pick-up trucks. However, it said seasonal shutdowns of Dodge Ram assembly plants would probably reduce sales of light-duty truck engines in the third quarter, and that heavy truck engine demand would continue to decline. *Laurie Morse*

Sprint ahead 29% in second term

Sprint, the US long-distance telephone company, raised net income in the second quarter by 29 per cent to $317m, on revenues up 12 per cent at $3.5bn. However, earnings per share rose only 6 per cent to 73 cents, blamed on the issue of new shares to Sprint's partners in the international alliance Global One. The company said Global One, which includes France Telecom and Deutsche Telekom, had exceeded expectations for revenues and margins in its first five months of operation. Start-up costs for Global One, and for Sprint Spectrum, the company's mobile phone alliance in the US, totalled $44m net in the quarter, compared with $6m.

Long-distance operating income rose 40 per cent to $235m, on revenues up 16 per cent at $2.1bn. Minutes of use rose 19 per cent in the quarter. Sprint said it remained the biggest carrier of commercial Internet traffic, with a 60 per cent share in the US and international markets. The shares rose $¾ to $37¾ in early trading. *Tony Jackson, New York*

Spun-off EDS hurt by charges

EDS, the computing services group which was last month spun off from its parent General Motors, reported a 9 per cent rise in net operating income for the second quarter, to $245m, or 51 cents a share. However, higher-than-expected special charges of $896m before tax produced a net loss overall of 67 cents a share.

EDS blamed $46m of the charges on the spin-off. Of the remaining $850m, the largest part was a $515m charge for "refreshment" of the company's computing infrastructure and other asset write-downs. There was also a $275m charge for employee-related costs such as early retirement and staff cuts.

The company expected the restructuring to produce savings from the current quarter, rising to around $50m a quarter next year and the year after. It said the savings would help offset the reduction in earnings caused by its new contract with General Motors. The contract, for computing services, was redrawn at the time of the spin-off. The shares rose $¾ to $47¾ in early trading. *Tony Jackson*

Dollar's surge checks drugs groups

By Richard Waters

Sales growth at Eli Lilly, the US drugs company, wilted during the second quarter in the face of increasing competition in some international markets and the recent surge in the dollar. The news left Lilly's shares down $3, or 5 per cent, at $56¾ yesterday morning.

Meanwhile, healthcare group Johnson & Johnson registered a solid 20 per cent increase in net income, attributed in part to its acquisition of surgical product maker Cordiant.

At Lilly, sales during the second quarter were $1.7bn, some 5 per cent higher than a year before, as the translation effect of a stronger dollar shaved 3 percentage points off the growth rate, and lower selling prices another 2 percentage points.

Sales of the company's biggest product, Prozac, grew by only 5 per cent, partly because of the loss of the anti-depressant's patent in Canada and fierce competition in France. Meanwhile, manufacturing and marketing costs both rose by about 10 per cent.

Only the effect of various one-off items, including the sale of securities and the sale of Japanese marketing rights for one of its products, enabled the company to report an advance in pre-tax income for the period. These items added $100m to income, compared with $50m a year before, leading to a $29m increase in pre-tax earnings from continuing operations, to $465m.

Mr Randall Tobias, chairman, acknowledged the growing pressures. He said Lilly had increased its marketing spending to support Prozac and moved to contain the growth in costs.

Randall Tobias: moved to contain costs

Net income rose 6 per cent to $246m, or 63 cents a share.

J&J's sales also reflected the rise in the dollar. Revenues rose 13 per cent from a year before, to $5.4bn, but would have been 3 percentage points higher but for the movement in the currency. The bulk of the growth came in the US, where sales climbed 18 per cent to $2.6bn.

The Cordiant acquisition contributed to a 21 per cent increase in sales in the group's professional products segment, to $2bn. Top-line growth in the consumer segment, on the other hand, was only 5 per cent, while sales of pharmaceutical products rose 11 per cent.

Slower growth in costs, particularly selling, marketing and administrative expenses, enabled the company to report a 1.2 percentage point improvement in its pre-tax profit, to 20.8 per cent. Overall, net income rose 20 per cent to $791m, or 60 cents a share.

Growing international demand boosts Philip Morris

By Richard Tomkins in New York

Growing demand for Philip Morris's cigarettes in international markets helped the US tobacco and food company report another period of strong profits growth yesterday, lifting second-quarter net earnings by 15 per cent to $1.62bn.

Earnings per share, boosted by the company's heavy stock repurchases, rose by 18 per cent to $1.97, in line with expectations on Wall Street and mirroring the pace of growth the company achieved in the first quarter.

Mr Geoffrey Bible, chairman and chief executive, described the first half of the year as "a blockbuster" and said that both sides of the business – tobacco and food – had "terrific momentum" as the company headed into the second half.

The number of cigarettes sold by the international tobacco division rose by 12 per cent to 165bn, lifting operating profits by 19 per cent to $984m in spite of unfavourable currency movements.

In central Europe, the figures were boosted by Philip Morris's acquisition in the first quarter of ZPT-Krakow, Poland's largest manufacturer of cigarettes. Excluding ZPT-Krakow, the company said, the increase in international volume would have been 9 per cent.

In eastern Europe, volume rose by 25 per cent. Philip Morris said volume also grew strongly in most of its key developing markets, including Indonesia, the Philippines, Malaysia and the Middle East.

In the domestic tobacco division, the number of cigarettes sold fell by 0.4 per cent to 57.9bn, but the company blamed a distortion in trade buying patterns. Increased sales of premium priced cigarettes and higher overall margins helped increase the division's operating profits by 12 per cent to $1.06bn.

Philip Morris said its total share of the US retail cigarette market rose by 3 percentage points to 49.6 per cent, and Marlboro's share rose by 3.5 percentage points to 33.4 per cent.

Kraft Foods, the North American food operation, saw some impact from the breakfast cereal price war in the US, but still increased operating profits by 7.5 per cent to $735m. The division cut prices of its Post and Nabisco cereals by 20 per cent to stimulate sales, prompting a backlash by the other big cereal companies.

The international food business increased operating profits by 8 per cent to $285m in spite of lower volume in western and northern Europe. However, the Miller Brewing division suffered a 3.6 decline in operating profits to $159m because of weak sales and higher marketing and manufacturing costs.

Spanish banks join Endesa in telecoms bid

By Tom Burns in Madrid

Two big Spanish domestic financial groups, Banco Santander and Banco Central Hispano, have joined with Endesa, the state-controlled electricity generator, to form the core of a consortium which looks set to run Spain's second telephone operator.

Both banks hold significant stakes in Endesa.

Santander said yesterday the three were to appoint Mr Antonio Barrera de Irimo, a senior Madrid business consultant, to monitor the privatisation of Retevisión, the state-owned signal transmission company. Under the government's planned deregulation of the telecommunications sector, Retevisión will be awarded a basic telephony licence within two years.

The move brings together the main partners in Airtel, the second mobile phone operator in Spain which was launched last year.

Ranged against this alliance is a similar informal partnership created by Banco Bilbao Vizcaya and La Caixa, the Barcelona-based savings bank BBV. Santander's main banking competitor, is a leading shareholder in Iberdrola, the second-ranked electricity producer, and is a large shareholder with La Caixa in both Telefónica, the dominant telecoms operator, and Repsol, the domestic energy company.

When it unveiled its deregulation plans for the telecommunications sector, the government indicated last month that BBV and La Caixa would be barred from bidding for Retevisión and the second operator licence to ensure greater competition.

Given the government's determination that Spanish capital should form the core ownership of the new operator and the limited domestic funds available, the ban in practice ensures that the field for the new licence is clear for the Santander-BCH-Endesa group.

The decision by the second group to put Mr Barrera de Irimo in charge of its potential interests in Retevisión indicates it has speedily taken up the opportunity of accumulating positions in the telecommunications sector. Mr Barrera de Irimo, 69, was finance minister in the early 1970s and was chairman of Telefónica for eight years.

Under the deregulation plans, Retevisión is to create a telephony company and the government will subsequently reduce its stake to 20 per cent, the level of state-ownership in Telefónica.

The new company will be technically ready to provide services as early as January next year, although licences to local cable operators which will provide the Retevisión service will not be awarded until 1998.

Banco Popular increases profits by 6.2% halfway

By Tom Burns

Banco Popular, the Spanish banking group at the centre of considerable speculation over its growth strategy, yesterday posted first-half net attributable profits of Pta30.1bn ($235.3m), a rise of 6.2 per cent against the first six months of last year.

The results, in line with expectations and with the regular performance that Popular has delivered over recent years, followed an annual meeting this month that empowered the board to introduce changes to the structure of Popular's share capital.

Popular is the smallest of the big domestic banking groups, although its annual profits are above those of larger rival banks. It recently outlined bold moves to increase its business base, including new products and new information systems.

To aid the growth – which, according to market speculation, could include an acquisition – the board has been granted a wide range of options. It has been awarded powers to reduce the banking group's capital and/or the par value of its outstanding shares, and has been given the go-ahead to raise new capital.

The strategy reflects concern that the growth of Popular's highly-conservative lending business could be approaching a ceiling.

There is also concern that the bank could, over the long term and in a falling interest rate environment, be penalised by its excessive exposure to the interbank market.

"Popular's recent profit growth is clearly well below that of its main competitors," said Mr Juan Cueto, head of research at Madrid brokers Ibersecurities.

Uncertainty over the impact of the group's next moves has resulted in the share price this year underperforming the Madrid general index and the banking sector.

Over the next three years Popular plans to build up telephone banking services, and it will spend Pta8bn on new information systems and Pta7.5bn to increase its branch network by 25 per cent.

The turnround programme, which seeks to build up Popular's client base among small and medium businesses, also includes an aggressive hiring strategy and a Pta10bn package to retire 500 of its 7,000 staff at the age of 55.

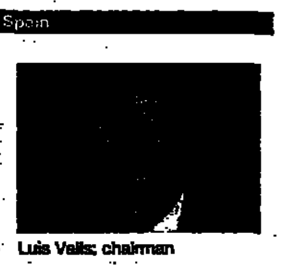
Despite the rate cuts in the first half of this year, Popular's relative financial margin on June 30 – its net interest income as a percentage of average total assets – represented 5.30 per cent. While marginally down on the 5.34 per cent reported at the end of the first quarter, this remains well above the average for the banking sector.

PROFILE:

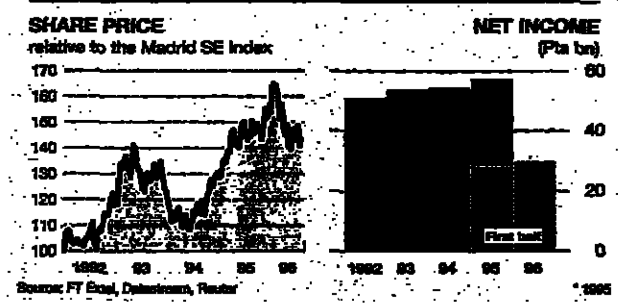
BANCO POPULAR

Market value: $4.94bn Main listing: Spain

Historic P/E	11.53
Dividend yield	3.92%
Earnings per share	Pta2,034.7
Current share price	Pta21,490



Luis Valls: chairman



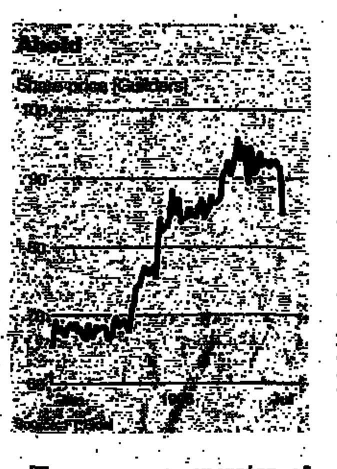
Source: FT Excel, Datastream, Reuter

Ahold raises Fl 3bn from international share issue

By Gordon Cramb in Amsterdam

An international share issue by Ahold, the Netherlands' leading supermarkets group, yesterday survived the tumble in world equity markets to raise Fl 3.06bn ($1.79bn). Excluding privatisations, the offer was the biggest by a Dutch company.

The price for the global issue, set after a bruised Wall Street closed on Monday, was Fl 85 a share. This compares with an expected Fl 87 and the Fl 92.50 at which Ahold shares were trading in Amsterdam when the offer was announced last month. The shares ended in line with the offer price at Fl 85.10 yesterday, down from Fl 88.70 overnight.



The company, operator of the Albert Heijn stores, made the offer to fund the acquisition of Stop & Shop, a north-eastern US chain.

The US Federal Trade Commission and three state authorities have meanwhile reached agreement with Ahold on conditions for the takeover.

To meet competition requirements, it is to sell 29 stores and two undeveloped sites out of the 227 outlets operated by Stop & Shop and Edwards Super Food Stores, one of its existing US chains.

Ahold added that it had found buyers for all the properties, mainly Edwards stores located in Connecticut. The other divestitures required were in Rhode Island and Massachusetts.

Proceeds would slightly exceed book value and would have no material effect on its results, it said.

FTC clearance means the Dutch group will be able to conclude the Stop & Shop purchase before the end of this month, after which the terms of the sale agreement meant it would have had to increase the price.

The chain is being bought from Kohlberg Kravis Roberts, the US buy-out specialist.

Of Ahold's Fl 29.6bn sales last year, as much as 45 per cent was derived from the US. If Stop & Shop had been included, revenues would have grown to Fl 37bn and net earnings boosted from Fl 492m to Fl 661m. The group is expanding in eastern Europe and south-east Asia, but this month lost out to Auchan of France in a bidding contest for Pão de Açucar, a Portuguese chain.

The new shares, for which Goldman Sachs was global co-ordinator, represent some 22.4 per cent of Ahold's expanded equity. The banks involved retain the right to accept over-subscriptions.

● Pakhoed, the Dutch transport company, yesterday declared unconditional its $19.45 a share tender offer for Univar, a US chemicals distributor. Pakhoed holds 95.5 per cent of Univar following the bid, worth nearly $500m.

Nestlé benefits from weaker Swiss franc

By William Hall in Zurich

Nestlé, the world's biggest food group, increased sales by 5.8 per cent to SFr28.4bn ($22.6bn) in the first half of 1996, and expects its full-year sales to rise by more than 6 per cent, to more than SFr60bn. It will be the first increase in Nestlé's annual sales since 1993.

The growth in Nestlé's reported sales is another sign that large Swiss companies are starting to benefit from the recent weakening of the Swiss currency. Last week Roche, Switzerland's biggest company reported an 8 per cent rise in first-half sales, and Sandoz, another big pharmaceutical company, a 7 per cent increase.

Between 1993 and 1995 the Swiss franc appreciated by 15 per cent. This hit Nestlé hard, since it reports its results in Swiss francs, yet only about 2 per cent of its business is done in Switzerland.

Nestlé said yesterday the first-half figures were satisfactory, especially since the currency effect was still negative during the first months of the year. Over the past year the US dollar climbed from SFr1.15 to SFr1.25, and Nestlé says exchange rates are starting to exert a positive influence on its consolidated figures expressed in Swiss francs.

Despite Nestlé's optimistic statement, its sales growth was marginally less than some analysts had been expecting and its shares closed SFr36 lower at SFr1430 yesterday. Analysts were mildly disappointed by the first-half growth in sales volume of 3.6 per cent. This seemed to indicate a second quarter slowdown.

However, Nestlé refused to elaborate on the difference between its first and second quarters. It said progress had been "particularly notable" in Africa/Near East and in Asia, and that Europe had achieved "good internal growth".

With the exception of roast and ground coffee, almost all product groups contributed to the volume growth. The group's growing business in central and eastern Europe was singled out for special mention, as were soluble coffee, other drinks and pet food.

Nestlé said it looked forward to a positive trend in volume sales for the full year and, provided there was no adverse move in exchange rates, it expected consolidated net profit to show "good growth".

Mr James Amoroso, of Credit Suisse in Zurich, said that the latest sales figures would not lead him to lower his estimate that Nestlé's net income would rise by 17 per cent in the current year to SFr3.41bn, or SFr86.5 a share. Mr Pierre Tissot, of Lombard Odier in Geneva, said he was sticking to his forecast of SFr3.34bn, or SFr84.8 a share.

Schering in Finnish pharmaceuticals buy

By Greg McIvor in Stockholm

The rapid restructuring of Europe's pharmaceuticals industry gained fresh impetus yesterday when Schering, the German drugs group, announced the FM1.43bn ($310m) acquisition of Leiras, the pharmaceuticals subsidiary of Huhtämaki of Finland.

The deal, subject to approval from the German Federal Cartel Office, involves the purchase of Leiras's non-ophthalmic operations in female healthcare and cancer treatment. Huhtämaki said the eye-care unit would be sold separately. Schering was advised by Morgan Stanley.

Dr Klaus Pohle, Schering vice-chairman, said the acquisition underlined the company's commitment to female healthcare, including contraception and hormone therapy, as one of three core areas, alongside diagnostic imaging and disabling disease control.

The Berlin-based group said the main benefit of the deal was Leiras's expertise in non-oral application forms for fertility control and hormone therapy. This would complement its oral-based product range in a market expected to grow faster than the overall pharmaceuticals market.

Huhtämaki is to repurchase a 10 per cent share of its equity from Pharmacia-Upjohn, the Swedish-US pharmaceuticals group, which has a joint enterprise with Leiras for the marketing of female healthcare products.

Pharmacia-Upjohn, which has been linked with the sale of Leiras's ophthalmics operations, said yesterday it had sold its shares to Huhtämaki's Dutch financing unit and would terminate the joint venture. However, it will continue to promote Leiras's highly-rated Mirena contraceptive method in the UK for two years.

Dispute over staff poaching settled

By Nicholas Denton

The most bitter dispute about poaching in investment banking in recent years ended yesterday, when ING Barings said it had settled the lawsuit it launched last month against rival Deutsche Morgan Grenfell.

ING Barings, which lost 72 Latin American equities staff in a raid by DMG, said in a statement agreed with the Deutsche Bank unit that former employees would not contact any current or potential clients until September 3.

Under the settlement, DMG will not solicit investment banking or broker dealer staff from ING Barings for a period which the sides did not disclose, but is understood to be until the end of December.

ING Barings is retracting its claim for $10m in damages which it lodged in the New York Supreme Court, alleging that DMG, one of the most aggressive hirers in the industry, had solicited its staff and engaged in unfair competition.

The row began when Mr Hessel Lindenbergh, chief executive of ING Barings, said DMG's predatory practices were causing increasing irritation in the industry. It ended only with intervention by board members of the parent banks, Internationale Nederlanden Groep and Deutsche Bank.

The moratorium has little concrete significance for DMG because it would have been unlikely to approach ING Barings clients until the autumn anyway, and it has hired most of the staff it had targeted.

But an ING Barings executive said the lawsuit had drawn attention to the poaching epidemic, which many senior executives in the industry say is bidding up staff costs and undermining the stability of institutions.

"You will always see teams moving but it does send a message that, when there are particularly predatory practices, the institutions have to sit down and discuss things seriously," said Mr Peter Geraghty, head of emerging markets debt at ING Barings.

NEWS DIGEST

Austrian retailer acquired by Rewe

Billa, the Austrian retailing chain, has been sold to Rewe, the biggest German food retailer. The company did not give any details, and Rewe declined to comment. A report in Austria's Kronen-Zeitung newspaper put the purchase price at Sch10bn ($935m), which would make the deal Austria's biggest. Rewe is Germany's third-largest retailing group, behind Metro and Tengelmann, with sales of DM43bn ($27.19bn) last year. According to Billa, the new owner agreed not to make any changes in the group's management and operations.

The transaction covers Billa's supermarket and drug store divisions, but not the multimedia chain Libro and the real estate division Billareal, part of which is publicly traded. Billa is privately owned by Mr Karl Wlaschek, 79, a former bar pianist who started with a single store in 1953 and turned it into Austria's largest retailing group with 18,000 employees. Billa has annual sales of Sch50bn and one of the highest profit margins in the industry. *Eric Frey, Vienna*

France Télécom names advisers

France Télécom has selected three banks – Lazard and Banque Nationale de Paris of France, and Merrill Lynch of the US – to help it prepare for the sale of some of its shares in an operation expected to take place in the early part of next year. The French government is converting the group – the fourth largest telecoms operator in the world in terms of 1994 turnover – into a joint stock company, paving the way for the expected share sale. The company is expected to be incorporated on January 1 1997, with the first shares expected to be offered by April. The government has promised to retain a 51 per cent stake. *David Owen, Paris*

Georg Fischer takes over rival

Georg Fischer, the Swiss machine tools group, is taking over Agie Holding, one of its smaller and weaker competitors. Fischer has bought majority control of Agie for an undisclosed sum from a group of Swiss banks involved in an earlier financial reconstruction of the company. Fischer intends to retain Agie's stock market quotation but will consolidate its own Charmilles Technologies unit with Agie. The new group will have a combined turnover of SFr750m ($598m) and plants in Switzerland, the US, China and Japan. *William Hall, Zurich*

Gencor lifts stake in Ingwe

Gencor, the South African mining group, has acquired another 12 per cent of Ingwe, taking its shareholding in the world's third-largest privately owned coal group to 41.5 per cent. The consideration, estimated by analysts to be worth about R612m ($138m), was a parcel comprising Gencor's 27 per cent stake in Anglovaal Holdings, 25m new Gencor shares and R24.1m cash. Gencor has not revealed the seller's identity, although analysts point to a big South African institution. *Kenneth Gooding, Mining Correspondent*

■ Lucchini, one of Italy's largest private steelmakers, yesterday warned of a "strong slowdown in demand" and a "vertical fall" in European steel prices in 1996. The family-owned group, part of the *noyau dur* of core shareholders in Usinor Sacilor of France, reported a record net profit for 1995 of L170bn ($110m), before minority interests, against L34bn the previous year. But the company said results and production for 1996 would be hit by the general slowdown of the European economy, imports from central and eastern Europe and other countries, and the sluggish recovery in public-sector contracts in Italy. Turnover increased from L2,527bn to L3,216bn. *Andrew Hill, Milan*

Wheelock meets forecasts with 6.6% rise

By John Ridding in Hong Kong

Wheelock and Company, the Hong Kong conglomerate, yesterday announced net profits of HK$2.46bn (US$318m) for the year to end-March, a rise of 6.6 per cent, as property revenues offset investments in new businesses and a downturn in retailing.

The results come during a period of transition for Wheelock, the holding company for the late Sir Y.K. Pao's listed corporate empire. The group is developing activities in investment banking, telecommunications and services, in addition to existing property and container terminal businesses.

Industry analysts said the figures were largely in line with expectations and predicted that 1996-97 would see further, if unexciting, progress.

Mr Adrian Ngan, property analyst at SBC Warburg, forecast net profits of HK$2.6bn for the current year, although he might trim this figure to take account of costs at the group's new activities.

Mr Gonzaga Li, chairman, pointed to the contribution from Wharf Holdings, Wheelock's main associate company, as the source of growth during 1995-96. He said that Wharf's biggest property holdings, which include the Harbour City and Times Square complexes, maintained occupancy rates at more than 90 per cent at satisfactory rental levels.

Mr Li also highlighted the strong performance of the company's own property division. Eight housing developments were marketed over the past year, with sales of more than 840 units.

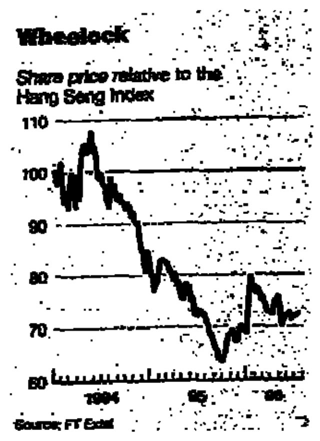
Other activities, however, had a more difficult year. Lane Crawford, the upmarket retailer, saw operating profits fall by 45 per cent to HK$16.8m as a result of weak consumer spending in Hong Kong and problems at its Singapore operation. Although the company cited "substantial progress", cable television operations continued to suffer losses as a result of heavy investments and below-target subscriptions.

Mr Li reported faster than expected development in corporate finance at Wheelock NatWest, the group's investment banking joint venture with National Westminster of the UK, while the Chinese brewing joint venture with Foster's of Australia is planning to double output at its Tianjin unit to respond to demand for the Largo and Great Wall brands.

Last year's results were boosted by an exceptional gain of HK$167m from the disposal of investments, lower than the comparable figure of HK$522m for 1994-95 but higher than analysts' forecasts. Earnings per share rose from 114.3 cents to 122 cents, while the final dividend goes up from 26.5 cents to 29.5 cents, lifting the total from 37 cents to 41 cents.

● Wheelock has mandated four banks to arrange an unsecured HK$3bn revolving credit/term-loan facility, joint bookrunner Citicorp International said, Reuter reports from Hong Kong.

Other arrangers are Banque Nationale de Paris, J. P. Morgan Securities and NatWest Markets. The facility has a five-year tenor. It is fully revolving during the initial 36 months from the loan agreement date and then becomes a term loan.



CSR and David Jones warn of profits downturn

By Nikki Tait in Sydney

Further evidence of the difficulties faced by Australia's corporate sector emerged yesterday when two leading companies issued profits warnings.

CSR, the Sydney-based building materials, sugar and aluminium producer, cautioned that it was unlikely to see any significant profits growth in the current financial year, which ends in March 1997.

"This is unlikely to be a year of profit growth," Mr Alan Coates, chairman, told shareholders at the annual meeting yesterday. "Indeed, higher prices and an early recovery in the level of demand for products supplied to the Australian housing industry are important if last year's profit level is to be achieved."

He added that "uncertainty" in the domestic market, in particular, made it "difficult and unwise to predict a profit outcome".

Like most of the larger listed building products companies in Australia, CSR has faced a slide in profits recently, as the local housing cycle has turned down sharply. In the year to end-March, it reported an after-tax profit (before abnormals) of A$320.1m (US$254m), an 18 per cent reduction on the 1994-95 figure.

Meanwhile, David Jones, the recently-floated Australian department stores group, warned that returns from its end-of-year clearance sales had been "substantially lower than expected". As a result, its earnings before interest and tax for the year to July 27 are likely to be in the A$98m to A$100m range, compared with the prospectus forecast of A$111m.

"We do not see any rapid improvement in the current environment and believe the dour sales climate may continue for the remainder of the calendar year," it said. However, it added that after-tax profit for 1995-96 was likely to be higher than the forecast A$64m because of a lower than predicted effective tax charge.

● Normandy Mining, the Australian resources group, and two of its associated companies – PosGold and Gold Mines of Kalgoorlie – said yesterday independent experts had recommended that shareholders accept the terms of the group's revised merger proposal.

Normandy, headed by Mr Robert Champion de Crespigny, has been trying since November to organise a four-way merger with PosGold, its 50.1 per cent-owed gold mining arm, and GMK and North Flinders Mines, in which PosGold holds minority stakes.

Its efforts were held up when another company tried unsuccessfully to join the merger plan, which would create the eighth largest gold producer worldwide. New meetings to approve the share-swap terms have now been called for mid-August.

Handover bodes well for Hong Kong hoteliers

Buoyed by a strong home market, many in the industry have begun to look overseas for expansion

Hong Kong's hoteliers can look out on a heartening view, not just the bustling harbour front or city-centre skyscrapers. Limited supply, strong demand, and the bonanza of next year's handover to China have banished the industry gloom of the early 1990s, prompting a rally in share prices and profits.

"The market is very strong", says Dr Lo Ka-shui, managing director of Great Eagle Holdings, a property and hotels group. "The prospects are better here than anywhere else for the next five years."

But Dr Lo and many of his counterparts are not staying put. Buoyed by the strength of their home market, Great Eagle and other Hong Kong groups are spreading their wings. A series of acquisitions and investments over recent months has driven expansion in the UK, US and the Asia-Pacific region, building the foundations of international networks and reducing the impact of any future domestic downturn.

For the moment, domestic difficulties are hard to discern. Furama Hotel Enterprises unveiled strong results for the year to the end of March, with net profits rising by 38 per cent to HK$224.2m (US$30m). Associated International Hotels, which operates the Hyatt Regency, raised operating profits by almost 20 per cent to HK$233m, while other groups are reporting strong revenues and returns.

The upturn is set to continue. "1997 will be a strong year for hotels," says Mr Euan Weir, vice-president of Merrill Lynch in Hong Kong. Many of the territory's hotels, from the Peninsula to the Mandarin, are fully booked for the handover and are set to profit from the hordes of visitors eager to witness Hong Kong's transition from capitalist to communist sovereignty.

Nor is the handover the only factor. A report by Jardine Fleming points to a broader rise in regional tourist and business volumes, estimating annual visitor growth of about 500,000 over the next few years.

These arrivals may find it difficult to find rooms. Occupancy rates are forecast at 89 per cent this year and 92 per cent in 1997, according to the Hong Kong Tourist Association. Such high rates reflect a lack of new capacity over recent years, in part because a number of hotels, including the Hilton, have been demolished to make way for office blocks.

Bad news for room-seekers is good news for the bottom line. The Jardine Fleming report notes a strong increase in average room rates and predicts further rises of between 10 and 15 per cent for the next three years. Profit margins will also continue to widen, it says.

This rate of growth may seem too good to last, and it probably is. Drawn by improved returns, many of Hong Kong's property groups are looking anew at hotels.

Cheung Kong, the property and infrastructure concern at the centre of Mr Li Ka-shing's empire, and Henderson Land are among the groups weighing the addition of hotels to ongoing developments. Property projects related to the territory's new airport will add about 5,000 rooms.

The prospect of increased supply has injected a note of caution for some in the industry. "I am reasonably optimistic for the next two years," says Mr Adrian Fu, chairman of Furama Hotel Enterprises. "However, I am concerned that business thereafter may level off due to the additional supply of new hotels together with the gradual shifting of tourist traffic from other cities in China and south-east Asia."


A lack of new capacity over recent years means many visitors to the territory may have difficulty finding a room

Another area of potential concern is the handover itself. "Hotels are in the front line if the transition undermines confidence and Hong Kong's position as a business centre," says one industry consultant.

This cuts little ice with those in the business. Like most of his counterparts, Dr Lo is bullish on the prospects for the territory. "We have already committed HK$10bn in investments over the next five years. That proves that we are optimistic."

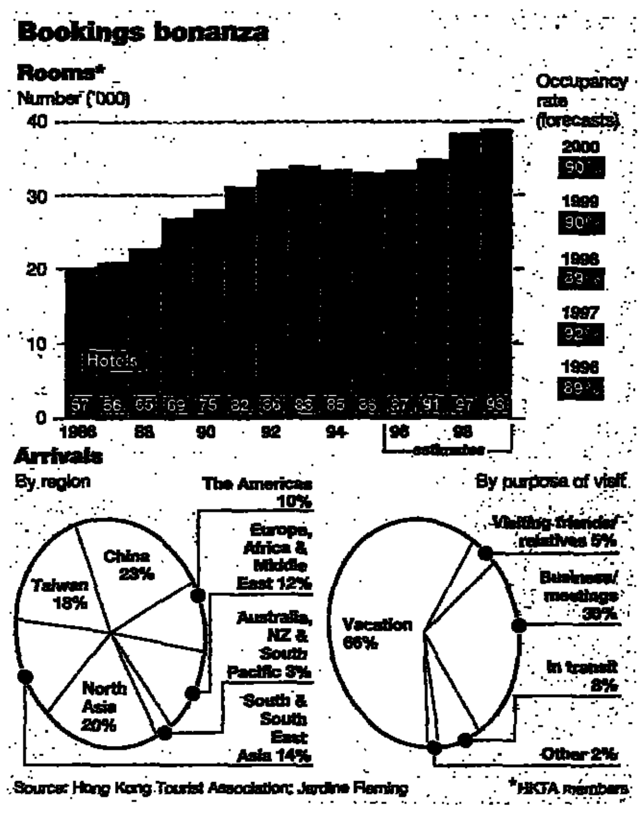
Great Eagle is looking overseas, he says, not because of concerns about the home market but because of the limited opportunities to build or buy hotels in Hong Kong, and because of a strategy of developing an international network. In May, the company announced the £100m (US$155m) acquisition of the Langham Hilton in London, a first step which is set to be followed by others in the US, Dr Lo says.

Others are making similar moves. Lai Sun Development, owner of the Ritz-Carlton in Hong Kong, is set to acquire the Four Seasons in New York. Hong Kong and Shanghai Hotels last month announced plans to build a Peninsula Hotel in Sydney, while Furama is developing projects in Vietnam.

China may hold the greatest potential. But the going is difficult. "In London we bought the land freehold. In China, today, they give us only 30 years," says Dr Lo. "We are bullish but the economics are not right, so we are fighting this."

With the economics in Hong Kong as they are at present, there is little need to hurry.

John Ridding



Source: Hong Kong Tourist Association; Jardine Fleming *HKTA members

Interleisure in Greek cinema joint venture

By Mark Ashurst in Johannesburg

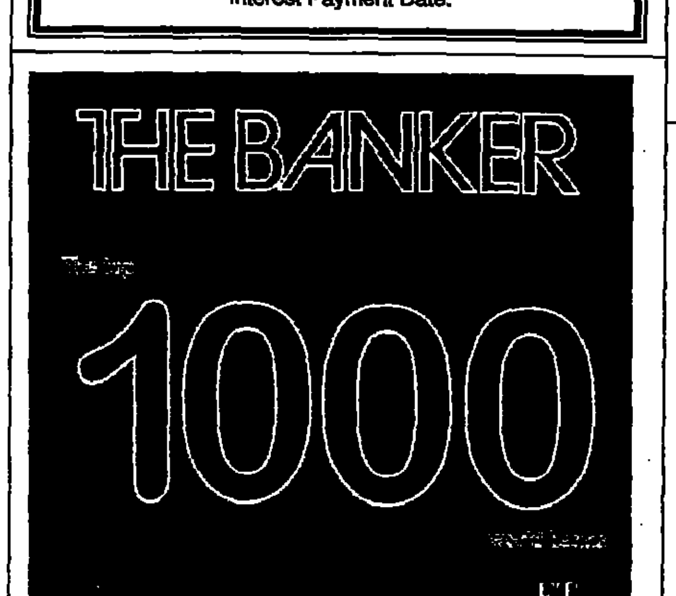
Ster Kinekor, the film distribution subsidiary of South Africa's Interleisure group, has launched a joint venture with Digital Multiplex, the largest Greek distributor, to develop the first Greek multi-screen cinemas in Greece and Cyprus.

The new business will trade as Ster-Odeon and plans to build seven new "multiplex" auditoriums within five years at a cost of $30m. The first four-screen complex in Glyfada, Athens, is scheduled to open on December 1996. The funding will be provided equally by each group.

Subsequent developments, expected to include multiplex cinemas ranging from six to fifteen screens, are planned for Athens, Thessaloniki and Nicosia in Cyprus. The new venture will also manufacture and distribute film merchandise, including compact discs, CD-Roms and, at a later stage, video compact discs.

The Greek cinema industry has been crippled by competition from television and also by strict government regulations, which were abandoned in the mid-1980s.

Audiences declined from more than 160m in 1970 to 8m in 1995. But Mr Mike Egan, managing director of Interleisure, predicted that the introduction of multiplex auditoriums could treble the size of the Greek cinema market within five years.



Costain holder attacks rescue plan

By Andrew Taylor and Jane Martinson

Costain, the UK construction group, was yesterday accused by one of its largest shareholders, Kharafi of Kuwait, of trying to railroad investors into accepting a rescue refinancing.

The industrial conglomerate, which owns 19 per cent of the UK construction group, said it would reject the rescue plan at an extraordinary meeting in London on Monday.

Mr Alan Lovell, Costain's chief executive, has warned the company would have to go into administrative receivership if its plans were rejected.

Mr Ahmed Samy, Kharafi's investment manager, said in an interview with the Financial Times that the refinancing terms were inadequate and unfair to existing shareholders. The offer is expected to leave Intria, a Malaysian building group, with 40 per cent of Costain.

Mr Samy said Costain should seek a two- to three-month moratorium from its bankers to allow counter-proposals to be drawn up. Kharafi would consider investing more and raising its stake in Costain if this was necessary and finance was available.

Intria is underwriting a large part of a £73m ($114m) offer to Costain shareholders of three new shares at 50p for every one owned. The state of Costain's finances is such that most of the stock is expected to be left with the underwriters.

Costain's shares were suspended at 39p this month pending the outcome of the refinancing. Kharafi bought its stake at an average price of £1 a share, said Mr Samy.

He complained that the offer price of 50p a share was too cheap and would allow Intria to buy a controlling interest in Costain. There was no guarantee that Intria would provide greater opportunities for Costain to win work in south-east Asia.

Intria would receive an underwriting fee of about £1m, cutting the cost of a 40 per cent stake to 48.75p a share. There were no constraints on it selling any of its stake once the refinancing was complete. Intria would have four seats on Costain's new 10-strong board while existing shareholders would have none.

Costain needs a simple majority to approve the deal.

Westminster Health bid fails

By Simon Kuper

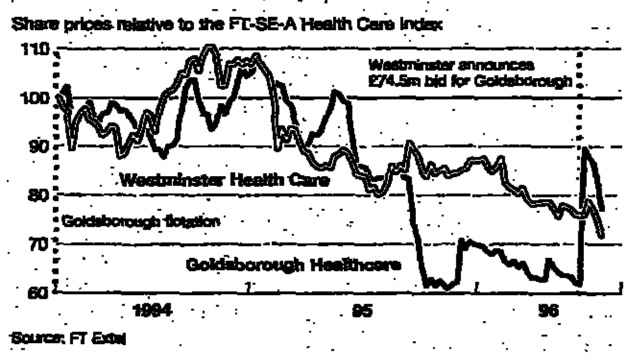
Westminster Health Care's £70.5m ($110m) hostile bid for rival Goldsborough Healthcare failed yesterday, with the predator securing acceptances for only 41 per cent of the shares.

But there was controversy over the purchase by SBC Warburg, adviser to Goldsborough, of 4.1 per cent of the target's shares at 150p on Monday. Warburg said it had bought the stake from a single investor on its own account, and the Takeover Panel said the unusual move was legal. However, the purchase may have persuaded waverers not to accept Westminster's offer. Mr Graham Smith, Goldsborough chief executive, bought 1.5 per cent of the shares at 150p taking his holding to 3.4 per cent.

One merchant banker said: "It will be interesting to see if Warburg do this for all their clients. It could be pretty expensive if they were doing this for a bigger company. The Goldsborough share price is already off, so they've lost money on their investment."

Less than healthy shares

Share prices relative to the FT-SE-A Health Care Index



Source: FT Extel

Goldsborough shares closed 3p down at 145p yesterday, before Westminster said the bid had failed. The predator's shares firmed 3p to 298p. Westminster had been offering 54 of its shares for every 100 Goldsborough shares.

SBC Warburg has lost several corporate clients recently, including Legal & General and the Halifax Building Society.

Goldman buys CINMan

By Nicholas Denton

The 16-month saga of the sale of CINMan, the fund manager for the 500,000 current and future pensioners in coal industry schemes, is about to end – but the purchase price has fallen by about a third because of delays.

Trustees of CINMan yesterday agreed in principle the sale of the bulk of its business to Goldman Sachs, the US investment bank, clearing the way for a deal to be announced today.

Goldman Sachs, which has been seeking to expand into institutional fund management, is buying the marketable securities division, which represents about £15bn of the £17bn ($26.5bn) under management at CINMan. The purchase price of £40m-£50m in upfront and deferred payments is substantially lower than the £70m Friends Provident agreed to pay last December in a deal that fell through within six weeks.

Moreover, the trustees have had to commit to leaving their funds with Goldman Sachs for six years, while only eight months ago they had insisted on freedom to change after four years.

CINMan, which is owned by British Coal, the rump company left after the sale of the coal mines to private sector companies such as RJB Mining, was put up for sale last year to complete the privatisation of the industry.

Through a glass smartly: David Davies inspects some plastic laminate

Keeping a careful eye on profits

Rising car sales in Europe and the US are driving a recovery in demand for catalytic convertors produced by Johnson Matthey to clean exhaust fumes, writes Ross Tieman.

Mr David Davies, chairman of the precious metals group, told shareholders at yesterday's annual meeting that a pick-up that began during the second half of last year was continuing, while efficiency gains helped the division's performance.

Preparations for volume production of plastic laminate for packaging semi-conductor chips were going well, he said. Johnson Matthey is equipping a plant in Chippewa Falls, Wisconsin, to produce the material, which is expected to replace ceramics packaging as chip operating temperatures rise.

Precious metals had made a steady start, Mr Davies said. The shares slipped 9p yesterday to 585p. Warburg is understood to hold a 10 per cent stake, acquired in a bought deal from Minorco less than two weeks ago.

Lucas on verge of Varity tie-up

By Ross Tieman

Varity Corporation is this week expected to receive approvals from the US Securities and Exchange Commission for its proposed merger with Lucas Industries to create a new world force in the manufacture of automotive components.

The approvals will clear the way for Varity to call a shareholders' meeting, provisionally scheduled for August 20, to seek authorisation to complete the deal.

The meeting of Varity shareholders is expected to come a week after a similar meeting being convened by Lucas in London to seek formal consent from its own shareholders.

The European Commission has now approved the deal, saying it will enhance competition in the European market for anti-lock brakes, which is dominated by Bosch and ITT.

In the UK the only official consent still required is that of the High Court for the scheme of arrangement under which Lucas would become a subsidiary of a new company, LucasVarity. Documents have been lodged with the court and the approval is expected on August 13, when Lucas plans its extraordinary meeting. Varity will subsequently be merged into a US subsidiary.

Hunting warns after write-off

By Bernard Gray, Defence Correspondent

Hunting, the defence, aviation and oil group, has warned that it will make a substantial first half loss and only "a small profit" for the year as a whole, following management problems at its aviation division which have led to write-offs of £40m ($62.4m).

The slump this year comes after a pre-tax profit of £31m in 1995 on turnover of £1.13bn.

The biggest problem is in the design and production of interiors for the de Havilland Dash-8 commuter aircraft at the company's Biggin Hill site. Hunting did not disclose the amount it has set aside against the contract, but the figure is thought to be about £30m.

In May, Hunting warned that there would be losses on the design of the product, and two executives left the company. A further investigation by executives from Hunting's defence division uncovered the high production costs.

The company has also written off £10.5m against an investment it made in developing the British Aerospace Jetstream 41. Taken together the losses of about £40m will all but wipe out its trading profit and exceptional profit of £7m on the disposal of a construction business.

Small shareholder launches legal action on Trafalgar bid

By Geoff Dyer

A small shareholder in Trafalgar House will launch a legal action in the High Court today claiming the terms of £904m ($1.4bn) recommended bid for the group by Kvaerner of Norway were unfair.

Mr Simon Israel, who owns 75,000 convertible preference shares, alleges that the directors and Schroders, the group's financial advisers, were wrong to tell shareholders the terms were "fair and reasonable".

If the case is successful, Kvaerner may have to increase its offer for the convertible preference shares and Schroders could become the subject of separate legal actions.

Kvaerner has offered 50p per ordinary share and 80p per convertible.

Mr Israel argues the redemption value of the convertibles is at least 109p, and that this should have been fully paid before any funds were allocated to ordinaries.

He also says Kvaerner is paying the full redemption amount for two other classes of privately held preference shares.

Mr Israel will also claim that Schroders did not present a written fairness opinion to the Trafalgar House board, recommending that it accept or reject the Kvaerner bid.

Mr John Reynolds, a director at Schroders who has been subpoenaed to attend the hearing, said the allegations had no substance. Convertible preference shares only redeemed at par under a winding-up situation, not a takeover. It was standard practice to give the board an oral rather than a written recommendation.

Trafalgar House refused to comment on the case.

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bogod .... Yr to Mar 31	6.08	(6.5)	0.244	(0.234)	3.01	(2.9)	0.275	Oct 4	0.25	0.385	0.35
Bogod A .... Yr to Mar 31	-	-	-	-	-	-	0.55	Oct 4	0.5	0.77	0.7
First Information .... 6 mths to Apr 30 §§	1.8	(1.02)	1.27♥	(3.13L)	8	(24L)	-	-	-	-	-
Intl Greetings Φ .... Yr to Mar 31	44.2	(40.4)	3.09♠	(2.12)	45.5	(37.4)	10	Aug 8	-	15	-
Nursing Home Props Φ ... 3 mths to June 30	-	-	-	-	-	-	1.25⁂	Oct 1	-	-	0.8
Parkland .... 14 mths to May 3 ‡	64.4	(49.7)	3.06♥	(2.18)	30.3	(22.6)	1.5	Oct 7	3.5	7	5.5
Reliance Security .... Yr to May 3	93.5	(82.5)	4.15	(3.66)	12	(10.6)	5	Oct 1	4.4	6.75	5.8
Waterfall Φ .... 6 mths to Mar 31 ★	2.47	(1.5)	0.091♠	(0.053♠)	0.92	(0.58)	-	-	-	-	-

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming High Inc	-	-	-	-	-	-	1.2‡‡	Oct 1	1.15	-	4.5
Gartmore British .... 6 mths to June 30	98.2	(99.5)	0.879	(0.874)	4.3	(4.3)	2.1♦	Aug 31	1.95	-	7.95
Inv of Inv Trust .... 17 mths to Apr 30	122.4	(-)	0.323	(-)	0.3	(-)	-	-	-	-	-
Moorgate .... Yr to May 31 ★	181.8	(162.3)	1.53	(1.58)	5.42	(5.6)	2.9	Sept 5	2.75	4.65	4.45

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional credit. ♠After exceptional charge. †On increased capital. ΦAim stock. §§Comparison with previous six months owing to change of year end. ‡Restated comparatives for 12 months. ⁂Second interim, makes 2.45p to date; conditional on successful completion of placing and open offer. ★Comparatives restated. ‡‡First interim. ♦Second interim, makes 4.2p to date.

CONTRACTS & TENDERS

NEWS DIGEST

Sales rise at the Pru and Sun Life

Sales of life insurance, pensions and investment products grew strongly at two UK life assurers during the first half of 1996.

Prudential Corporation, the UK's largest life assurance group, raised overall new business – based on an index of regular premium sales plus 10 per cent of single premium sales – by 27 per cent to £623m ($972m).

Sun Life Corporation, a wholly owned subsidiary of Sun Life and Provincial, the newly-floated UK and Ireland arm of UAP, the French insurer, increased total new business by 19 per cent to £144.4m.

Shares in the Pru eased 2p to 413p, while shares in Sun Life increased 2p to 221p.

Single contribution life, pensions and investment sales at the Prudential increased by 36 per cent to £3.33bn, while regular contribution sales rose by 18 per cent to £290m.

In the US, single premium sales at Jackson National Life, the Pru's American subsidiary increased by 17 per cent to a record $1.64bn.

Asian sales of regular premium products increased by 17 per cent to £42m, with particularly strong performances in the group's Malaysian and Singaporean subsidiaries. Sales of single premium products surged 86 per cent to £41m.

At Sun Life, new regular premium income rose by 14 per cent to £81m in the first half. Single premiums increased by 24 per cent to £633.5m. *Motoko Rich*

BA sees lower fares in AA link

British Airways launched a staunch defence yesterday of its proposed alliance with American Airlines, claiming that the deal would result in lower transatlantic fares.

Speaking at the group's annual meeting in London, Sir Colin Marshall, chairman, said the tie-up would allow BA to "compete more strongly with other alliances" and to maintain "a continual drive to lower fares in real terms."

The two airlines will co-ordinate schedules and share revenues from their transatlantic operations.

Sir Colin was responding to criticism of the BA-American deal, which was announced last month and which is awaiting regulatory approval. *Geoff Dyer*

US clearance for Glaxo drug

Glaxo Wellcome has received US marketing clearance for its anaesthetic, Ultiva (remifentanil). It is the first in a new class of anaesthetics and painkillers, characterised by extremely fast onset and offset of action.

The FDA is the second licensing authority to approve Ultiva. It is already on the market in Germany, and Glaxo expects to receive clearance soon elsewhere in Europe.

ISSUE OF £2,000,000,000

8% TREASURY STOCK 2000

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 23 JULY 1996

PAYABLE IN FULL WITH APPLICATION		
	With a competitive bid	Price bid plus accrued interest
	With a non-competitive bid	£107 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 24 July 1996.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. *The principal of and interest on the Stock will be a charge on the National Loans* Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2000.

4. Stock issued under this prospectus will rank in all respects pari passu, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 June 1996, the last interest payment date of the Stock, until settlement on 24 July 1996 at the rate of £1.03014 per £100 nominal of Stock.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Under current legislation, transfers will be free of stamp duty.

6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from interest payments unless a relevant exception applies. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 December 1996.

7. The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries *and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.*

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July *1995 the Chancellor of the Exchequer announced that the Government had decided in* principle to introduce such a facility and had also decided that any securities made strippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged securities. The starting date for an official strips facility will be announced in due course.

14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification.

Method of Application

15. *Bids* may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may bid by telephone to the Bank of England not later than 10.00 am on Tuesday, 23 July 1996.

16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON TUESDAY, 23 JULY 1996**; or lodged by hand at the *Central Gilts & Moneymarkets Office, Bank of* England, Threadneedle Street, London not later than **10.00 AM ON TUESDAY, 23 JULY 1996**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON MONDAY, 22 JULY 1996.** Bids will not be revocable between 10.00 am on Tuesday, 23 July 1996 and 10.00 am on Friday, 26 July 1996.

17. The Bank of England reserves the right to require evidence of the identity of any *applicant for Stock or of any person for whom an applicant is acting as agent.* Failure to provide satisfactory evidence of identity may result in delays in despatch of certificates. In addition if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (in the Bank of England's determination) and in any event within 21 days after the auction, the Bank of England may reject the application or cancel the sale of any Stock, and take any other action it may think fit.

18. Cancellation of a sale of Stock for any reason will not affect the non-competitive sale price or any other sale of Stock.

19. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**

(ii) Unless the applicant is a member of the CGO Service, **PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.03014 PER £100 NOMINAL OF STOCK** must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2000", to arrive not later than 1.30 pm on Wednesday, 24 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the United Kingdom.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT *THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST)*:** competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

20. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid, other than one made by a gilt-edged market maker, must be for not less than *£1,000 nominal and not more than £500,000 nominal of* Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) *Only one non-competitive bid may be submitted for the benefit of any one person,* and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT AT THE RATE OF £107 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive *sale price plus accrued interest at the rate of £1.03014 per* £100 nominal of Stock. The non-competitive sale price will be **EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, the average being weighted by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price, plus accrued interest, is less than £107 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.

(vi) If the non-competitive sale price, plus accrued interest, is greater than £107 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £107 for every £100 nominal of Stock allocated to them. *An applicant from whom a further payment is required will be notified by* letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.

(vii) Each gilt-edged market maker may bid non-competitively for up to 0.5% of the Stock on offer.

21. The Bank of England may sell less than the full amount of the Stock on offer at the auction.

22. The Stock will be issued in registered form. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form. *The Bank of England may decline to register Stock unless it has obtained* such evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.

23. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received and, where required, satisfactory evidence of identity has been received. *In the event of such withholding, the applicant will be* notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the *payment of his cheque* or receipt of his CHAPS payment, or to the receipt of satisfactory evidence of identity as appropriate, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates *will be sent by post at the risk* of the applicant.

24. No sale will be made of a less amount than £1,000 nominal of Stock. If an *application* is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant: if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date *in respect* of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the *London Inter-Bank Offered Rate for seven day deposits* in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

25. Subject to the provisions governing membership of the CGO Service, a member *of that Service may, by completing* Section 3 of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Wednesday, 24 July 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 24 July 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

26. Application forms *and copies of this prospectus may be obtained by post* from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London, EC2R 8AH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

27. The taxation position of the Stock, under current legislation, is broadly as follows:

(i) The Stock is a gilt-edged security for the purposes of Schedule 9 to the Taxation *of Chargeable Gains Act 1992.* Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital gains tax.

(ii) *Gilt-edged securities which are not strips are not "relevant discounted securities"* for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a holder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received or, in certain circumstances, accrued.

(iii) For a holder within the charge to corporation tax, a holding of the Stock will be a "loan relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

16 July 1996

APPLICATION FORM

Complete Section 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate.

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 16 July 1996 as follows:-

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid plus accrued interest)
See notes (a) and (b) below.

Nominal amount of 8% Treasury Stock 2000 applied for: *Amount of Stock applied for* — *Multiple* £500,000-£1,000,000 — £100,000 £1,000,000 or greater — £1,000,000	£
Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:	£ / 32nds
PLUS accrued interest at the rate of £1.03014 per £100 nominal of Stock:	£ 1 / p 03.014
Total amount payable per £100 nominal of Stock: (excluding accrued interest)	£ / p
Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST:	£

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price, plus accrued interest, as defined in the prospectus)
See notes (c) and (d) below.

Nominal amount of 8% Treasury Stock 2000 applied for, being a *multiple* of £1,000, with a *minimum* of £1,000 and a maximum of £500,000 nominal of Stock:	£
Sum enclosed, being £107 for every £100 NOMINAL of Stock applied for:	£

FOR CGO MEMBERS ONLY

CGO Participant Number ....

Name of Contact .... Telephone Number ....

REGULATED FINANCIAL INSTITUTIONS ONLY
(unless Section 3 applies)

Name of Regulator ....

Membership/Reference Number ....

Country/Territory of Regulator ....

THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY
(unless the applicant is a CGO member or is a UK or EEA regulated financial institution, and Section 3 or 4 has been completed)
Full name and permanent address of each third party:
FORENAME(S) AND SURNAME — *ADDRESS (including postcode)*

If additional spacing is required, please continue on separate sheet.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that Stock sold to me/us be registered in the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first named holder at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION (other than one made by a gilt-edged market maker) I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 24 July 1996, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD PARTY, I/we have obtained and recorded evidence of the identity of each person on whose behalf I am/we are applying, and I/we will on demand make *such* evidence available to the Bank of England or the relevant authority.

Date .... SIGNATURE(S) ....
of, or on behalf of, applicant

DETAILS OF APPLICANT(S)
(If not the person(s) in section 8)
FORENAME(S) AND SURNAME(S) — *ADDRESS (including postcode)*

REGISTRATION DETAILS
Stock may be registered in the names of individuals or a corporate body.

CAPITAL LETTERS PLEASE

Title	Forename(s) in full	Surname
Address		
		Postcode
Title	Forename(s) in full	Surname
Address		
		Postcode
Daytime Telephone Number (in case there is a query)		

FOR BANK OF ENGLAND USE

Box No.	Exd.	Transaction Number
728		161/
Batch Number	New Account No.	Cert. Posted Date

The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box.

NSSR ☐
BELFAST ☐

NOTES

(a) A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member *of the CGO or is a UK or EEA* regulated financial institution.

(b) **Except in the case of members of the CGO Service who have completed Section 3**, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2000", to arrive not later than 1.30 pm on Wednesday, 24 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank *or building society in the UK.*

(c) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel *Islands or the Isle of Man.* The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. *An applicant lodging an* application form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.

(d) The procedure for any refund, or *further amount payable*, is set out in the prospectus.

APPLICATION FORMS *MUST BE SENT* TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON TUESDAY, 23 JULY 1996; *OR LODGED BY* HAND AT THE CENTRAL GILTS & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON TUESDAY, 23 JULY 1996; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON MONDAY, 22 JULY 1996.

ISSUE OF £1,500,000,000

8% TREASURY STOCK 2015

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 25 JULY 1996

PAYABLE IN FULL WITH APPLICATION		
	With a competitive bid	Price bid plus accrued interest
	With a non-competitive bid	£102 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 26 July 1996.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND *invite* bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2015.

4. Stock issued under this prospectus will rank in all respects pari passu, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 June 1996, the last interest payment date of the Stock, until settlement on 26 July 1996 at the rate of £1.07397 per £100 nominal of Stock.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Under current legislation, transfers will be free of stamp duty.

6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from interest payments unless a relevant exception applies. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 December 1996.

7. The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the *beneficial ownership of persons who are neither domiciled nor ordinarily resident in* the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries *and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.*

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made strippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged securities. *The starting date for an official strips facility will be announced in due* course.

14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification.

Method of Application

15. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may bid by telephone to the Bank of England not later than *10.00* am on *Thursday, 25 July 1996.*

16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON THURSDAY, 25 JULY 1996**; or lodged by hand at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London not later than **10.00 AM ON THURSDAY, 25 JULY 1996**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON WEDNESDAY, 24 JULY 1996**. Bids will not be *revocable between 10.00 am on Thursday, 25 July 1996 and 10.00 am on Tuesday, 30* July 1996.

17. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. Failure to provide satisfactory evidence of identity may result in delays in despatch of certificates. In addition if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (in the Bank of England's determination) *and in any event within 21 days after the auction, the Bank of England may reject the* application or cancel the sale of any Stock, and take any other action it may think fit.

18. Cancellation of a sale of Stock for any reason will not affect the non-competitive sale price or any other sale of Stock.

19. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of *£500,000* nominal of Stock and for a *multiple of Stock as follows:-*

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	***£1,000,000***

(ii) Unless the applicant is a member of the CGO Service, **PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.07397 PER £100 NOMINAL OF STOCK** must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Friday, 26 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the *United Kingdom.*

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the *lowest accepted* price). ***APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST)***: competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

20. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid, other than one made by a gilt-edged market maker, must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) *Unless the applicant is a member of the CGO Service,* a separate cheque representing **PAYMENT AT THE RATE OF £102 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) *The Bank of England reserves the right to reject any non-competitive bid.* Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price plus accrued interest at the rate of *£1.07397* per *£100* nominal of Stock. The non-competitive sale price will be **EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, the average being weighted by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price, plus accrued interest, is less than £102 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.

(vi) If the non-competitive sale price, plus accrued interest, is greater than £102 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £102 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.

(vii) Each gilt-edged market maker may bid non-competitively for up to 0.5% of the Stock on offer.

21. *The Bank of England may sell less than the full amount of the Stock on offer at* the auction.

22. The Stock will be issued in registered form. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form. The Bank of England may decline to register Stock unless it has obtained such evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.

23. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received and, where required, satisfactory evidence of identity has been received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of *the amount of Stock allocated to him, subject in each case to the payment of his cheque* or receipt of his CHAPS payment, or to the receipt of satisfactory evidence of identity as appropriate, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates will be sent by post at the risk of the applicant.

24. No sale will be made of a less amount than £1,000 nominal of Stock. If an *application is satisfied in part only, the excess amount paid will, when refunded, be* remitted by cheque despatched by post at the risk of the applicant; if an application is *rejected* the amount *paid* on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

25. *Subject to the provisions governing membership of the CGO Service,* a member of that Service may, by completing Section 3 of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Friday, 26 July 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 26 July 1996 shall for the purposes of this prospectus constitute *default in due payment of the amount payable in respect of the relevant Stock.*

26. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate *House,* Southgate Street, *Gloucester, GL1* 1UW; at the Central Gilts & Moneymarkets Office, Bank of England, Threadneedle Street, London, EC2R 8AH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

27. *The taxation position of the Stock, under current legislation, is broadly as* follows:

(i) The Stock is a gilt-edged security for the purposes of Schedule 9 to the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital gains tax.

(ii) *Gilt-edged securities which are not strips are not "relevant discounted securities"* for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a holder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received or, in certain *circumstances,* accrued.

(iii) For a holder within the charge to corporation tax, a holding of the Stock will be a "loan relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents *undertake to disclose tax changes decided on but not yet announced, even where they* may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

16 July 1996

APPLICATION FORM

Complete Section 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate.

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and *non-competitive bids dated 16 July 1996 as follows:-*

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid plus accrued interest)
See notes (a) and (b) below.

Nominal amount of 8% Treasury Stock 2015 applied for: £

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

	£	32nds
Price *bid* per £100 nominal of Stock, being a multiple of 1/32nd of £1:		

	£	p
Plus accrued interest at the rate of £1.07397 per £100 nominal of Stock:	1	07.397

	£	p
***Total amount* payable per £100 nominal of Stock: (excluding accrued interest)**		

Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST: £

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price, plus accrued interest as defined in *the* prospectus)
See notes (c) and (d) below.

Nominal amount of 8% Treasury Stock 2015 applied for, being a multiple of £1,000, with a minimum of £1,000 and a *maximum* of £500,000 nominal of Stock: £

Sum enclosed, being £102 for every *£100 NOMINAL* of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO Participant Number ____________

Name of Contact ____________ Telephone Number ____________

REGULATED FINANCIAL INSTITUTIONS ONLY
(unless Section 3 applies)

Name of Regulator ____________

Membership/Reference Number ____________

Country/Territory of Regulator ____________

THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY
(unless the applicant is a CGO member or is a UK or EEA regulated financial institution, and Section 3 or 4 has been completed)
Full name and permanent address of each third party:

FORENAME(S) AND SURNAME	*ADDRESS (including postcode)*

If additional spacing is required, please continue on separate sheet.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that Stock sold to me/us be registered in the *undermentioned* name(s) and that any certificate be sent by post at my/our risk to the first named holder at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION (other than one made by a gilt-edged market maker) I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 26 July 1996, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD PARTY, *I/we have obtained and recorded evidence of the identity of each* person on whose behalf I am/we are applying, and I/we will on demand make such evidence available to the Bank of England or the relevant authority.

Date ____________ SIGNATURE(S) ____________
of, or on behalf of, applicant

DETAILS OF APPLICANT(S)
(If not the person(s) in section 8)

FORENAME(S) AND SURNAME(S)	*ADDRESS (including postcode)*

REGISTRATION DETAILS
Stock may be registered in the names of individuals or a corporate body.

CAPITAL LETTERS PLEASE

Title	Forename(s) in full	Surname
Address		
		Postcode
Title	Forename(s) in full	Surname
Address		
		Postcode

Daytime Telephone Number (in case there is a query)

FOR BANK OF ENGLAND USE

Box No.	Ext.	Transaction Number
889		169/
Batch Number	New Account No.	Cert. Posted Date

The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box.

NSSR ☐
BELFAST ☐

NOTES

(a) A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA regulated financial institution.

(b) **Except in the case of members of the CGO Service who have completed** Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Friday, 26 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint *names of the applicant and one or more others) held with a bank or building* society in the UK.

(c) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an application form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.

(d) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON THURSDAY, 25 JULY 1996; OR LODGED BY HAND AT THE CENTRAL GILTS & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN *10.00 AM ON THURSDAY, 25 JULY 1996; OR LODGED BY HAND AT ANY* OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON WEDNESDAY, 24 JULY 1996.

Europe high-yielders caught in US downdraught

By Richard Lapper in London and Lisa Bransten in New York

High-yielding European bonds were yesterday caught in the downdraught of the declining US equity market. Dollar weakness led the D-Mark to appreciate against most European currencies, and Italian, Spanish and Swedish bond markets all tumbled as a result.

"The peripheral markets have been hammered," said a UK fund manager. "We are getting a reversal of the liquidity-driven improvement in peripheral markets and we have a run on the dollar."

■ Italy, which has outperformed strongly this year, was particularly badly hit. Currency weakness was compounded by worries about the delay in the expected cut in interest rates and concern that the government has made too many concessions to hard-left deputies in setting its 1997-1999 budget. Throughout the day, analysts reported heavy selling by institutions, many of which have joined the Italian rally only in its latest stages.

"There has been a move out by international holders," said Mr Robert Stewart, investment manager at Matheson Investment Management in London. "A lot of people who bought Italy were not natural holders and some feel they can still get out and make a decent return on the year to date."

The sell-off saw the 10-year yield spread fall to 321 basis points from 299 points at Monday's close. On Liffe, the September BTP future lost more than a point, being quoted at 114.62 in automated pit trading.

Investors said in the short term the convergence trend could soon be back on track, but only if the dollar stabilises.

Arguing that Italy could still enter the European exchange rate mechanism and that many of the improved economic fundamentals are intact, Mr Stewart said "you can make a positive case but no-one is feeling positive today".

Mr Mark Fox, chief European strategist at Lehman Brothers, reported selling of high-yielders and some buying of Treasuries.

Even so "sentiment could change very fast from extreme bearishness", he said, and investors might begin to buy when the 10-year yield spread over Germany reaches 350 basis points.

GOVERNMENT BONDS

Mr Julian Jessop, chief European economist at Nikko Europe, said: "You can still tell a reasonably good story about Italy and you may be able to park money in Italian bonds yielding 300 over [Germany], but you need stability in the dollar."

■ Spain and Sweden were also hit, with 10-year yield spreads falling by 7 and 9 basis points to 235 and 193 points respectively. In Sweden, a 20 basis point reduction in the repo rate by the Riksbank to 5.70 per cent failed to inspire the market.

■ By contrast, German bonds were helped by the strength of the D-Mark. The market, especially shorter-dated paper, was also buoyed by comments from Mr Hans Tietmeyer, Bundesbank president, that the bank was interested in keeping interest rates steady for as long as possible, or even lowering them if monetary conditions allowed.

On Liffe, the March 1997 three-month euromark future settled at 96.29, up 0.16, while the September bund contract gained 0.28 to settle at 96.10.

"The only thing that looks really attractive are three-month euromarks," said Mr Fox.

"The dollar is helping the short end of the German market and harming the long ends of markets benefiting from convergence plays," added Mr Jessop.

■ Gilts closed lower with the market's tone again uncertain. Worries are partially linked to a heavy schedule of supply. The public sector borrowing requirement was a larger than expected £3.65bn for June, with May's figure revised up to £3.56bn. The 10-year yield spread over bunds widened by 7 basis points to 164 points.

■ US Treasuries also enjoyed a better day, with falling equities and benign figures on June inflation helping prices rise in early trading yesterday.

Near midday, the benchmark 30-year Treasury was $\frac{5}{32}$ stronger at 87$\frac{29}{32}$ to yield 7.060 per cent, the two-year was up $\frac{1}{32}$ to 99$\frac{21}{32}$, yielding 6.248 per cent, and the September 30-year bond future was $\frac{1}{8}$ at 108⅜.

US bonds declined in European and Asian trading amid worries that the consumer price index would show a jump in inflation, but in early trading the market recovered its losses after the Labor Department said the CPI rose 0.1 per cent. Analysts had expected an increase of 0.2 per cent.

Figures released later in the morning on June capacity utilisation and industrial production also came in just below expectations.

But the real focus of the bond market yesterday continued to be the equity market, as it has been for much of the past two weeks. In early trading, the Dow Jones had dropped nearly 40 points to 5,130.30 bringing its losses over the past four sessions to nearly 300 points.

"The stock market is telling you that the earnings profile was over-estimated and bonds are rallying on that," said Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York.

He said activity was light yesterday as investors awaited comments from Mr Alan Greenspan, the chairman of the Federal Reserve, who is due to deliver his twice-yearly Humphrey Hawkins testimony to Congress tomorrow.

Croatia cuts cost of borrowing in debut DM deal

By Gavin Gray in Zagreb and Conner Middelmann in London

The Republic of Croatia has mandated Dresdner Bank to arrange its debut in the international syndicated loans market, a DM150m term facility that will set a benchmark for Croatian risk 100 basis points lower than recent government-guaranteed deals.

SYNDICATED LOANS

The loan has a two-year maturity, making it also the longest Croatian government-risk commercial financing. The interest margin is 175 basis points over Libor, the first time a Croatian borrower has attempted to raise funds below the 200 basis point barrier. But bankers say that demand is strong even at this rate.

"The level of uncertainty about Croatia was considerably higher four months ago than it is today. Two major events have happened since then. The Dayton agreement for Bosnia has begun working in a political sense, and Croatia has managed to define its external debt clearly," an official of Dresdner Bank Luxembourg official said.

In late April, Croatia agreed in principle that its share of former Yugoslavia's commercial bank debt would be 29.5 per cent of the total, lifting Croatia's external debt from $3.4bn to just over $5bn. But the servicing costs in the short run are a mere 6 to 8 per cent of export earnings. The debt settlement was approved in late May by banks holding two-thirds of the debt.

Elsewhere, the National Bank of Romania has appointed ABN Amro Bank and Citibank to arrange a new $175m loan – Romania's fourth loan since May 1995, when a $150m facility marked the country's return to the international capital markets after a 15-year absence. The deal is being prepared for general syndication and is likely to be launched in early September.

A $250m five-year facility for the National Bank of Hungary was launched into general syndication last week, replacing a planned global bond offering due to substantially lower funding costs in the loan market. The facility is priced at 50 basis points over Libor – a new low for the borrower, whose last deal in July 1995 paid 150 basis points over Libor.

Syndication of the project financing loan for Uch Power, a $600m, 586MW power station to be built in Pakistan, was launched last Friday by arrangers ABN Amro Bank and Deutsche Morgan Grenfell.

Some $300m of loans are being syndicated, split into the following tranches: a $148.9m three-year construction loan guaranteed by US Eximbank; a $75m 15-year loan guaranteed by the World Bank; and another $75m 9¼-year B loan from the International Financing Corporation, syndicated among commercial banks. It is the first time these three supranational agencies have worked together on a project financing facility.

Meanwhile, the financing for a 1,220MW power station in Indonesia, PT Jawa Power, was signed last week. The deal set a number of milestones: it is the first Indonesian project with a 15-year uncovered commercial bank tranche, the first project financing with a new type of political-risk guarantee – called BKA – from the German government, and the first Asian project financing to tap US institutional investors through a private placement as part of its initial financing.

Cemex raises $600m, offers early redemption on $1bn issue

By Samer Iskandar

Cemex, the Mexican cement company, yesterday issued two tranches of bonds, maturing in 2000 and 2006, for a total of $600m. Simultaneously, it extended an offer to redeem $1bn of existing bonds, originally due to mature in 1998.

Standard & Poor's, the US rating agency, assigned a BB rating to the new bonds, but said the outlook for Cemex bonds denominated in foreign currencies was negative.

S&P believes the current restructuring of $3.5bn of existing debt will ease "liquidity pressures" on the company. However, the rating agency warned that Cemex's expansion strategy, based on debt-funded acquisitions, could have negative effects on the company's ratings.

"Future debt issuance ... will be monitored closely to insure that current debt payment protection levels do not deteriorate", S&P said.

DSL Bank tapped strong demand for short-term dollar-denominated paper with a $300m issue of two-year notes offering a yield flat to Treasuries mainly aimed at Swiss and Benelux retail investors. Existing bonds by DSL Bank with similar maturities have recently been trading at yields between 25 and 50 basis points under Treasuries.

INTERNATIONAL BONDS

Elsewhere, the World Bank and the IFC issued one-year and two-year bonds respectively. Both issues were aimed at Japanese investors. Nomura, lead manager of the dollar-denominated World Bank issue, said the 5⅜ per cent coupon looked particularly attractive relative to Japanese one-year term deposits that yield barely 0.70 per cent.

The IFC's deal is of dual-currency bonds. Issued in yen, they are redeemable in dollars. The dollar's steady appreciation against the yen has made this type of structure increasingly attractive to Japanese investors.

The roadshow for a Mexican $3bn floating-rate note issue has ended in New York, and the launch is expected during the first week of August. The issue, structured under the supervision of the New York Fed, has been awarded a provisional investment grade rating of Baa3 by Moody's.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
TAR 1996-A, Class A(a)	722.335	(a1)	(a1)R	Nov 1997	0.20R	(a1)	Goldman/Lehman Brothers
Cemex	300	(b,s)#	(b)R	Jul 2000	1.125R	(b)(t)	Goldman Sachs International
Cemex	300	(c,s)#	(c)R	Jul 2006	1.50R	(c)(7¾%-06)	Goldman Sachs International
DSL Bank(l)	300	6.375	99.99R	Aug 1998	1.125R	flat(5¾%-98)	Nomura/SBC Warburg
Komatsu Seiren Co(d)ф	100	3.125	100.00	Aug 2000	2.25	-	Yamaichi Intl(Europe)
Wachovia Bank of Nth Carolina	100	6.375	99.774R	Aug 1998	0.15R	+8(5¼%-98)	Merrill Lynch International
World Bank★	100	5.375	100.56	Jul 1997	0.10	-	Nomura International
■ D-MARKS							
Cie Financiere de CIC(e)‡	300	(e1)	99.91R	Jul 2002	0.20R	-	Morgan Stanley Bank
Pivovar Radegast	70	6.50	99.473R	Jul 2001	0.50R	+118(5¼%-01)	Nomura International
■ YEN							
Intl Finance Corp(f)★	20bn	5.20	100.00	Aug 1998	1.50	-	Nikko Europe
Honda America★	10bn	2.75	100.25	Aug 2001	0.25	-	Nomura International
■ SWISS FRANCS							
Knickerbockers(g)ф★	91	0.625	100.00	Aug 2000	1.625	-	Toyko-Mitsubishi(Switz)
■ STERLING							
Auto Funding No2, Cls A(h)‡	127	(h1)	100.00R	Jun 2003	0.25R	-	UBS
■ GUILDERS							
Bayerische Vereinsbank(l)	250	5.75	99.905R	Sep 2001	0.25R	+12(6¾%-01)	Rabobank Nederland

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. фWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Toyota Auto Receivables. Legal maturity: 20/7/01. 10% clean-up call. Average life: 1.26 yrs. Monthly coupons. a1) Priced later: Treasuries +38-40bp. a2) Class B: $22.632m, 20/11/97, Treasuries +60bp area. b) Priced later at 400-425bp over Treasuries. c) Priced later to yield 12⅝%-12¾%. d) Fixing: 22/7/96. Downward revision clause effective 24/8/98, max 80%. e) Callable on 23/7/01 at par. e1) 3-mth Libor +12½bp. f) Redeemed in US$. g) Fixing: 19/7/96. Warrants to Pokka Corp. Refixing clause effective 7/8/97 & 7/8/98, max 80%. h) Expected maturity: 5 yrs. Average life: 4.4 yrs. h1) Class B: £9m, 3-mth Libor +37½bp, av life 4.97 yrs.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.1060	–	8.88	8.82	8.87
Austria		6.250	05/06	97.6700	+0.250	6.47	6.57	6.50
Belgium		7.000	05/06	101.2600	+0.090	6.81	6.87	6.70
Canada *		7.000	12/06	94.8100	–0.080	7.74	7.85	7.57
Denmark		8.000	03/06	104.0400	–0.180	7.39	7.42	7.42
France	BTAN	5.750	03/01	100.6400	+0.240	5.64	5.69	5.49
	OAT	7.250	04/06	105.3000	+0.140	6.49	6.54	6.47
Germany Bund		6.250	04/06	98.2900	+0.260	6.49	6.58	6.50
Ireland		8.000	08/06	102.2800	–0.140	7.66	7.66	7.70
Italy		9.500	02/06	100.1500	–1.040	9.47†	9.15	9.34
Japan	No 140	6.600	06/01	118.2908	–0.370	2.43	2.36	2.18
	No 182	3.000	09/05	97.4440	–0.100	3.37	3.31	3.15
Netherlands		6.000	01/06	96.8800	+0.160	6.44	6.53	6.34
Portugal		11.875	02/05	118.7700	–	8.67	8.70	8.99
Spain		8.800	04/06	99.6400	–0.430	8.83	8.73	9.15
Sweden		6.000	02/05	85.5502	–0.320	8.43	8.35	8.35
UK Gilts		8.000	12/00	103-02	–6/32	7.17	7.16	7.29
		7.500	12/06	96-26	–5/32	7.95	7.92	7.99
		9.000	10/08	107-06	–5/32	8.06	8.04	8.09
US Treasury *		6.875	05/06	100-00	+1/32	6.87	7.05	6.75
		6.000	02/26	87-00	–4/32	7.05	7.18	6.90
ECU (French Govt)		7.500	04/05	103.6200	–0.260	6.93	7.03	6.93

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.30
Prime rate	8¼	Two month	-	Three year	6.48
Broker loan rate	7	Three month	5.30	Five year	6.68
Fed.funds	5¼	Six month	5.55	10-year	6.90
Fed.funds at intervention	-	One year	5.84	30-year	7.09

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	121.72	122.10	+0.20	122.14	121.60	103,590	165,209
Dec	120.36	120.76	+0.22	120.74	120.30	1,490	29,677
Mar	120.12	120.52	+0.22	120.12	120.10	14	2,056

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Dec
120	-	-	-	0.02	0.16	0.96
121	-	1.40	1.12	0.04	0.33	1.36
122	0.35	0.73	-	0.03	0.66	-
123	-	0.31	0.36	-	-	-
124	-	0.10	0.18	-	-	-

Est. vol. total, Calls 11,491 Puts 14,531 . Previous day's open int., Calls 122,898 Puts 143,045.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.67	96.10	+0.26	96.25	95.52	175038	193796
Dec	94.80	95.19	+0.27	95.20	94.72	508	6732

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9600	0.30	0.61	0.40	0.72	0.20	0.51	1.21	1.53
9650	0.09	0.37	0.26	0.54	0.49	0.77	1.57	1.85
9700	0.02	0.20	0.16	0.40	0.92	1.10	1.97	2.21

Est. vol. total, Calls 20753 Puts 14809. Previous day's open int., Calls 163842 Puts 178525

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.70	115.02	-0.95	115.75	114.53	103136	62526
Dec	114.70	114.38	-0.95	114.80	114.30	770	2111

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
11500	1.12	1.78	1.10	2.38
11550	0.87	1.54	1.35	2.66
11600	0.66	1.33	1.64	2.95

Est. vol. total, Calls 13212 Puts 7109. Previous day's open int., Calls 90078 Puts 82275

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.62	100.72	–0.23	100.91	100.08	113,001	52,670

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106-09	106-10	-0-05	106-14	105-26	75352	139208
Dec	105-15	105-15	-0-05	105-15	104-31	49	542

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
106	0-40	1-07	1-02	1-32	0-20	0-51	1-36	2-02
107	0-11	0-40	0-42	1-06	0-55	1-20	2-12	2-40
108	0-02	0-20	0-25	0-48	1-46	2-00	2-59	3-18

Est. vol. total, Calls 3854 Puts 1457. Previous day's open int., Calls 24856 Puts 23400

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.48	90.90	+0.20	90.90	90.44	3,416	7,788
Dec	-	89.00	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	107–25	107–21	–0–05	107–30	107–10	193,661	440,644
Dec	106–29	107–11	+0–02	107–08	106–27	808	18,853
Mar	-	106–28	-	-	-	50	3,116

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	117.82			118.14	117.82	4584	n/a
Dec	116.87			117.02	116.82	998	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jul 16	Day's change %	Mon Jul 15	Accrued interest	xd adj. ytd		Low coupon yield Jul 16	Jul 15	Yr. ago	Medium coupon yield Jul 16	Jul 15	Yr. ago	High coupon yield Jul 16	Jul 15	Yr. ago
1 Up to 5 years (22)	122.12	–0.06	122.19	2.56	5.12	5 yrs	7.31	7.28	7.95	7.36	7.33	7.95	7.44	7.40	8.05
2 5-15 years (20)	146.06	–0.14	146.26	2.05	6.39	15 yrs	8.17	8.14	8.30	8.17	8.15	8.33	8.25	8.23	8.42
3 Over 15 years (8)	160.73	–0.19	161.04	3.43	6.30	20 yrs	8.27	8.23	8.33	8.25	8.23	8.38	8.31	8.29	8.43
4 Irredeemables (6)	182.83	–0.25	183.29	2.84	6.36	Irred.†	8.31	8.29	8.39						
5 All stocks (56)	141.68	–0.12	141.85	2.51	5.95										

Index-linked							Inflation 5% Jul 16	Jul 15	Yr. ago	Inflation 10% Jul 16	Jul 15	Yr. ago
6 Up to 5 years (1)	198.22	–0.23	198.68	1.98	4.43	Up to 5 yrs	2.61	2.46	3.24	0.95	0.80	1.46
7 Over 5 years (11)	187.09	–0.15	187.37	1.37	2.45	Over 5 yrs	3.79	3.78	3.67	3.57	3.55	3.46
8 All stocks (12)	187.21	–0.15	187.50	1.38	2.46							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jul 16	Jul 15	Jul 12	Jul 11	Jul 10	Yr ago	High*	Low*
Govt. Secs. (UK)	92.62	92.83	93.05	92.96	92.80	92.65	96.34	91.59
Fixed interest	112.61	112.65	112.55	112.59	112.36	111.59	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jul 15	Jul 12	Jul 11	Jul 10	Jul 9
Gilt Edged bargains	82.5	75.4	82.2	79.0	78.0
5-day average	79.0	76.3	78.7	79.4	78.8

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 2pc 1996		0.91	5.53	219$\frac{13}{32}$	+$\frac{1}{32}$	219$\frac{13}{32}$	211¼
Conversion 10pc 1996		9.86	5.56	101$\frac{13}{32}$	——	104$\frac{1}{32}$	101$\frac{13}{32}$
Treas 13¾pc 1997‡‡		12.76	5.52	103$\frac{15}{16}$xd	——	108$\frac{13}{32}$	103$\frac{15}{16}$
Exch 10½pc 1997		10.21	5.60	102$\frac{27}{32}$	–$\frac{1}{32}$	105$\frac{13}{32}$	102$\frac{27}{32}$
Treas Cnv 7pc 1997‡‡		6.91	5.74	101$\frac{5}{16}$	——	101$\frac{13}{16}$	99$\frac{13}{16}$
Treas 8¾pc 1997‡‡		8.49	5.86	103$\frac{1}{16}$	——	104$\frac{7}{16}$	102$\frac{25}{32}$
Exch 15pc 1997		13.50	5.86	111¼	——	116$\frac{3}{16}$	111¼
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 8½pc 2005‡‡		8.16	7.89	103$\frac{13}{16}$	–$\frac{1}{4}$	108$\frac{11}{16}$	101$\frac{1}{16}$
Treas 7½pc 2006‡‡		7.75	7.96	96$\frac{13}{16}$	–$\frac{1}{4}$	101$\frac{13}{16}$	94$\frac{13}{16}$
Treas 7¾pc 2006‡‡		7.88	7.98	98$\frac{7}{16}$	–$\frac{1}{4}$	103¼	95$\frac{7}{16}$
Treas 8pc 2002-6‡‡		7.97	7.95	100$\frac{13}{32}$	–$\frac{1}{4}$	104$\frac{13}{16}$	97$\frac{1}{16}$
Treas 11¾pc 2003-7		9.77	7.72	120$\frac{3}{16}$xd	–$\frac{1}{8}$	125$\frac{3}{16}$	118$\frac{13}{16}$
Treas 8½pc 2007‡‡		8.22	8.02	103$\frac{13}{32}$xd	–$\frac{1}{4}$	108$\frac{11}{16}$	100$\frac{13}{16}$
Treas 13½pc 2004-8		10.20	7.81	132$\frac{3}{8}$	–$\frac{7}{32}$	138$\frac{13}{16}$	130$\frac{13}{16}$
[illegible]							

	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	0.87	2.62	113$\frac{1}{8}$	–$\frac{3}{8}$	113$\frac{7}{8}$	111$\frac{1}{16}$
2½pc '01	(78.3)	2.59	3.57	180$\frac{1}{4}$	–$\frac{1}{8}$	180¾	174$\frac{3}{4}$
2½pc '03	(78.8)	3.25	3.69	175$\frac{7}{8}$	–$\frac{1}{8}$	176$\frac{1}{8}$	170$\frac{13}{16}$
4⅜pc '04‡‡	(135.6)	3.31	3.71	114$\frac{13}{16}$	–$\frac{1}{8}$	116$\frac{3}{4}$	112$\frac{13}{16}$
2pc '06	(69.5)	3.41	3.72	183$\frac{1}{4}$xd	–$\frac{1}{4}$	185$\frac{13}{16}$	179
2½pc '09	(78.8)	3.51	3.77	164½	–$\frac{1}{4}$	167$\frac{3}{4}$	161$\frac{1}{16}$
2½pc '11	(74.6)	3.55	3.78	169$\frac{13}{16}$	–$\frac{1}{4}$	173$\frac{1}{8}$	166$\frac{7}{8}$
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1995: 149.8 and for June 1996: 153.0.

Other Fixed Interest

[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are shown in [illegible] by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

CURRENCIES AND MONEY

MARKETS REPORT

US stock market fall prompts flight out of dollar

By Graham Bowley

The sell-off in the US stock market knocked the dollar sharply lower on the foreign exchanges yesterday in what some analysts described as the busiest trading session of the year.

The dollar came under heavy selling pressure against the yen, Swiss franc and the D-Mark.

The D-Mark also made strong gains against European currencies as concerns about rising interest rates in Europe and worries about European monetary union prompted a "flight to quality" into the German currency.

The Italian lira and the Swedish krona were two of the biggest losers on the day, while the French franc was one of the few units which managed to hold its own against the D-Mark.

The pound had a poor session, losing three pfennigs against the German currency. It closed at DM2.3242. It fared better against the dollar, closing about half a cent higher at $1.5576.

The dollar closed in London at DM1.4922, down almost three pfennigs from the previous close. Against the yen, the dollar finished at Y109.255, down more than one yen.

The French franc closed almost unchanged against the D-mark at FFr3.389. However, the lira ended sharply lower against the German currency at L1,020, from L1,013.

■ Even apparent hints of lower German interest rates by Mr Hans Tietmeyer, the Bundesbank president, failed to stem the dollar's decline yesterday.

Mr Tietmeyer said he was interested in keeping interest rates steady as long as possible or even lowering them slightly if conditions allowed.

"This was equivalent to verbal intervention in support of the dollar," said Mr Michael Burke, international economist at Citibank in London.

But any moves to support the US currency were quickly overridden by the on-going jitters in the US stock market which pushed the dollar to its lowest level for three months against the D-Mark.

"The turmoil has discouraged anybody from buying US financial assets. They already were very long of the dollar, so the result has been concerted selling of the dollar," said Mr Burke.

He said the dollar's decline showed that the prospect of a rise in interest rates was not necessarily beneficial for a currency. There is growing speculation that the US Federal Reserve might announce a rate increase at its meeting next month. "But instead of supporting the dollar, the prospect of a rate rise is hitting US financial assets, causing a capital outflow and so pulling the currency lower," he said.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said the stock market jitters could mean Mr Alan Greenspan, Federal Reserve chairman, may attempt to play down the likelihood of an interest rate rise at his upcoming Humphrey Hawkins testimony. This would remove another key prop for the dollar, he said.

Analysts also said there was a view in the market that the US authorities would not raise interest rates in a US election year when the stock market was falling. They said this explained why the front-end of the bond yield curve performed well yesterday.

■ Mr Persaud said that while US investors were focusing on the stock market declines, investors in Europe were focusing on last week's Dutch interest rate rise. "However small this move might have been, people are asking whether it is the first evidence that the interest rate cycle has turned."

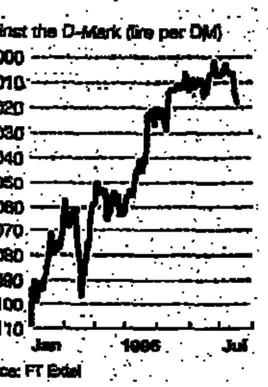
He said many investors this year had raised funding in low-yielding currencies such as the Dutch guilder to buy higher yielding currencies such as the lira. But these positions were now beginning to unwind, he said.

"A lot of leveraged investors are reducing their appetite for risk," he said.

In spite of the favourable short-term prospects this may imply for the D-Mark, however, Ms Joanne Collins, strategist at Nomura in London, said that the German currency is set to enter a period of long-term decline. This is because it is "a dying reserve currency," she said.

Ms Collins said European central banks have already begun to sell the D-Mark. This is because the advent of the euro, which in effect will take the place of the D-Mark, means that central banks need to diversify out of the German currency, she said.

Lira



Source: FT Extel

■ Pound in New York

Jul 16	Latest	Prev. close
£ spot	1.5590	1.5525
1 mth	1.5588	1.5521
3 mth	1.5588	1.5523
1 yr	1.5620	1.5556

■ OTHER CURRENCIES

Jul 16	£	$
Czech Rp	41.8793 - 41.9320	26.8940 - 26.9140
Hungary	232.038 - 232.236	149.010 - 149.060
Iran	4674.00 - 4671.60	3000.00 - 3000.00
Kuwait	0.4667 - 0.4674	0.2997 - 0.3000
Poland	4.1920 - 4.1988	2.6920 - 2.6950
Russia	7994.05 - 8003.45	5134.00 - 5137.00
U.A.E.	5.7193 - 5.7227	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jul 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3559	-0.2127	483 - 634	16.5650	16.3255	16.3246	2.3	16.2496	2.6	-	-	105.3
Belgium	(BFr)	47.8838	-0.6206	637 - 038	48.6830	47.7860	47.7888	2.4	47.5988	2.4	46.8088	2.2	107.0
Denmark	(DKr)	8.9614	-0.1167	575 - 652	9.0819	8.9503	8.9476	1.8	8.9273	1.5	8.8195	1.6	108.1
Finland	(FM)	7.1061	-0.0493	974 - 127	7.1660	7.0700	7.1007	0.7	7.0926	0.7	-	-	84.7
France	(FFr)	7.8745	-0.1035	709 - 780	7.9732	7.8599	7.8623	1.9	7.8396	1.8	7.7482	1.6	109.7
Germany	(DM)	2.3242	-0.0304	232 - 252	2.3540	2.3185	2.3197	2.3	2.3107	2.3	2.2719	2.2	109.1
Greece	(Dr)	368.310	-2.288	138 - 483	372.052	367.018	-	-	-	-	-	-	67.6
Ireland	(I£)	0.9714	-0.002	708 - 720	0.9741	0.9704	0.9709	0.6	0.9697	0.7	0.9652	0.6	99.2
Italy	(L)	2370.34	-14.72	916 - 153	2393.41	2365.46	2375.89	-2.8	2385.74	-2.6	2418.24	-2.0	76.3
Luxembourg	(LFr)	47.8838	-0.6206	637 - 038	48.6830	47.7860	47.7888	2.4	47.5988	2.4	46.8138	2.2	107.1
Netherlands	(Fl)	2.6092	-0.0344	080 - 104	2.6428	2.6029	2.6031	2.8	2.5911	2.8	2.5434	2.5	107.1
Norway	(NKr)	9.9935	-0.0673	876 - 994	10.1576	9.9733	9.985	1.0	9.968	1.0	9.8845	1.1	98.9
Portugal	(Es)	239.162	-2.902	061 - 262	243.187	238.732	239.587	-2.1	240.482	-2.2	-	-	95.1
Spain	(Pta)	196.156	-2.133	067 - 246	198.482	195.841	196.416	-1.6	196.931	-1.6	198.331	-1.1	80.7
Sweden	(SKr)	10.3704	-0.0749	599 - 808	10.4855	10.3433	10.3707	0.0	10.3708	0.0	10.3688	0.0	8.8
Switzerland	(SFr)	1.9046	-0.0396	037 - 054	1.9419	1.9002	1.8996	3.2	1.8888	3.3	1.8406	3.4	112.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.5
Ecu	-	1.2321	-0.0187	315 - 326	1.2461	1.2285	1.2308	1.3	1.2278	1.4	1.2145	1.4	-
SDR†	-	1.075800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5555	+0.007	549 - 560	1.5590	1.5516	-	-	-	-	-	-	-
Brazil	(R$)	1.5670	+0.007	665 - 675	1.5689	1.5617	-	-	-	-	-	-	-
Canada	(C$)	2.1367	+0.0124	357 - 376	2.1405	2.1283	2.136	0.4	2.1323	0.8	2.1242	0.6	83.9
Mexico	(New Peso)	11.9326	+0.0788	235 - 421	11.9434	11.8821	-	-	-	-	-	-	-
USA	($)	1.5576	+0.0069	572 - 580	1.5595	1.5518	1.5572	0.3	1.5578	0.0	1.561	-0.2	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.9678	+0.0167	667 - 689	1.9704	1.9632	1.9704	-1.6	1.9754	-1.5	2.0006	-1.7	93.2
Hong Kong	(HK$)	12.0504	+0.0489	465 - 542	12.0662	12.0109	12.0423	0.8	12.0307	0.7	12.0109	0.3	-
India	(Rs)	55.6843	+0.5596	585 - 101	56.1070	55.3270	-	-	-	-	-	-	-
Israel	(Shk)	4.9585	+0.019	547 - 622	4.9707	4.9265	-	-	-	-	-	-	-
Japan	(Y)	170.176	-0.9	093 - 258	171.360	169.980	169.451	5.1	167.961	5.2	161.546	5.1	133.0
Malaysia	(M$)	3.8730	+0.0088	712 - 747	3.8800	3.8626	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2621	+0.0002	607 - 635	2.2698	2.2585	2.2671	-2.7	2.2768	-2.6	2.3104	-2.1	108.0
Philippines	(Peso)	40.7858	+0.182	364 - 352	40.8427	40.7355	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8418	+0.0261	400 - 436	5.8487	5.8202	-	-	-	-	-	-	-
Singapore	(S$)	2.2073	+0.0077	059 - 086	2.2107	2.2017	-	-	-	-	-	-	-
South Africa	(R)	6.9025	+0.0292	968 - 082	6.9289	6.8831	-	-	-	-	-	-	-
South Korea	(Won)	1266.95	+5.57	647 - 743	1268.34	1262.70	-	-	-	-	-	-	-
Taiwan	(T$)	42.9345	+0.0978	180 - 509	42.9814	42.7993	-	-	-	-	-	-	-
Thailand	(Bt)	39.4852	+0.0909	594 - 109	39.5830	39.3740	-	-	-	-	-	-	-

† Rates for Jul 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.5007	-0.1842	985 - 028	10.6660	10.4780	10.4812	2.2	10.4392	2.3	10.2557	2.3	104.9
Belgium	(BFr)	30.7420	-0.538	370 - 470	31.3500	30.6760	30.687	2.1	30.572	2.2	30.032	2.3	106.3
Denmark	(DKr)	5.7533	-0.1011	523 - 543	5.8470	5.7420	5.7458	1.6	5.7288	1.7	5.6598	1.6	107.0
Finland	(FM)	4.5616	-0.0522	578 - 653	4.6112	4.5368	4.5551	1.7	4.5431	1.6	4.4976	1.4	83.8
France	(FFr)	5.0555	-0.0885	545 - 565	5.1275	5.0459	5.0486	1.6	5.0343	1.7	4.9665	1.8	108.7
Germany	(DM)	1.4922	-0.0262	919 - 924	1.5158	1.4888	1.4897	2.0	1.4839	2.2	1.4557	2.4	108.0
Greece	(Dr)	236.460	-2.535	410 - 510	239.400	235.480	238.135	-8.5	241.485	-8.5	255.46	-8.0	67.5
Ireland	(I£)	1.6035	+0.0105	028 - 041	1.6055	1.5937	1.604	-0.4	1.6049	-0.4	1.5964	0.4	-
Italy	(L)	1521.79	-16.31	142 - 216	1539.37	1518.48	1526.54	-3.7	1534.69	-3.4	1557.44	-2.3	76.1
Luxembourg	(LFr)	30.7420	-0.538	370 - 470	31.3500	30.6760	30.689	2.1	30.5825	2.1	30.102	2.1	106.3
Netherlands	(Fl)	1.6752	-0.0296	748 - 755	1.7018	1.6712	1.6719	2.4	1.6647	2.5	1.633	2.5	106.2
Norway	(NKr)	6.4160	-0.085	138 - 181	6.5318	6.4033	6.4131	0.6	6.4075	0.5	6.371	0.7	98.2
Portugal	(Es)	153.545	-2.58	520 - 570	156.420	153.230	153.86	-2.5	154.45	-2.4	156.595	-2.0	94.9
Spain	(Pta)	125.935	-1.94	910 - 960	127.750	125.700	126.185	-2.4	126.615	-2.2	128.155	-1.8	80.3
Sweden	(SKr)	6.6579	-0.0782	529 - 629	6.7328	6.6346	6.6689	-2.0	6.6864	-1.7	6.7284	-1.1	88.1
Switzerland	(SFr)	1.2228	-0.031	225 - 230	1.2500	1.2190	1.2193	3.5	1.2118	3.6	1.1784	3.6	110.1
UK	(£)	1.5576	+0.0069	572 - 580	1.5595	1.5518	1.5572	0.3	1.5576	0.0	1.561	-0.2	85.8
Ecu	-	1.2643	+0.0195	640 - 645	1.2675	1.2485	1.2651	-0.7	1.2667	-0.8	1.2755	-0.9	-
SDR†	-	0.69420	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9999	0.9984	-	-	-	-	-	-	-
Brazil	(R$)	1.0061	-	060 - 061	1.0062	1.0060	-	-	-	-	-	-	-
Canada	(C$)	1.3718	+0.0018	715 - 720	1.3744	1.3701	1.3716	0.1	1.3719	0.0	1.3747	-0.2	83.6
Mexico	(New Peso)	7.6510	+0.0165	570 - 650	7.6670	7.6470	7.8225	-25.3	8.0075	-18.1	9.771	-27.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2633	+0.0051	629 - 637	1.2638	1.2628	1.2653	-1.9	1.2688	-1.7	1.2875	-1.9	95.7
Hong Kong	(HK$)	7.7365	-0.0025	360 - 370	7.7395	7.7358	7.7372	-0.1	7.739	-0.1	7.766	-0.4	-
India	(Rs)	35.7500	+0.2	500 - 500	35.9600	35.4500	35.9	-5.0	36.205	-5.1	37.675	-5.4	-
Israel	(Shk)	3.1834	-0.002	818 - 850	3.1968	3.1667	-	-	-	-	-	-	-
Japan	(Y)	109.255	-1.07	230 - 280	110.270	109.110	108.81	4.9	107.91	4.9	104.17	4.7	132.8
Malaysia	(M$)	2.4865	-0.0055	860 - 870	2.4910	2.4859	2.4874	-0.4	2.4935	-1.1	2.517	-1.2	-
New Zealand	(NZ$)	1.4522	-0.0084	518 - 528	1.4554	1.4515	1.4553	-2.6	1.4611	-2.5	1.4857	-2.3	-
Philippines	(Peso)	26.1850	-	600 - 100	26.2100	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7502	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4171	-0.0014	166 - 176	1.4207	1.4162	1.4136	3.0	1.4076	2.7	1.3821	2.5	-
South Africa	(R)	4.4315	-0.001	290 - 340	4.4460	4.4280	4.479	-12.9	4.569	-12.4	4.9065	-10.7	-
South Korea	(Won)	813.400	-0.05	300 - 500	814.600	812.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.5645	-0.0605	610 - 680	27.6000	27.5800	27.5695	-0.2	27.5745	-0.1	-	-	-
Thailand	(Bt)	25.3500	-0.055	400 - 600	25.3900	25.3300	25.4488	-4.7	25.6525	-4.8	26.535	-4.7	-

† SDR rate per $ for Jul 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 15: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

July 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	3¼	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	3¼	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.55	-	5.00
week ago	[illegible]	[illegible]	[illegible]	4	[illegible]	3.60	-	5.00
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	3	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.15	5.34	5.50	5.81	-	-	-
week ago	-	5.15	5.35	5.53	5.83	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	4¼ - 4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	7½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	5⅞ - 5¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	2⅝ - 2½	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	5⅜ - 5¼	5⅜ - 5¼	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	9¼ - 9⅛	[illegible]	[illegible]	[illegible]	[illegible]
Yen	½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3⅝ - 3½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.97	96.02	+0.02	96.04	96.01	30,017	72,286
Dec	95.80	95.85	+0.03	95.87	95.84	30,372	45,392
Mar	95.56	95.62	+0.04	95.64	95.60	5,217	29,362

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.58	96.67	+0.08	96.70	96.57	65357	192136
Dec	96.40	96.53	+0.10	96.59	96.39	77672	220805
Mar	96.10	96.24	+0.11	96.30	96.09	62109	187691
Jun	95.73	95.88	+0.11	95.94	95.72	34609	111803

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.45	91.54	+0.01	91.57	91.43	27264	57902
Dec	91.83	91.85	-0.03	91.99	91.84	18691	35718
Mar	92.10	92.12	-0.04	92.14	92.00	7534	22075
Jun	92.10	92.11	-0.07	92.14	92.00	2610	12334

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.26	97.35	+0.09	97.37	97.23	9428	35143
Dec	97.07	97.18	+0.11	97.22	97.03	6346	23086
Mar	96.83	96.98	+0.12	97.00	96.83	845	9428
Jun	96.59	96.72	+0.11	96.74	96.59	291	2199

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.02	99.05	+0.03	99.02	99.02	160	n/a
Dec	98.66	98.69	+0.04	98.69	98.66	581	n/a
Mar		98.38	+0.04			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.47	95.56	+0.04	95.56	95.46	1612	7940
Dec	95.36	95.45	+0.03	95.46	95.36	1145	5361
Mar	95.16	95.26	+0.05	95.26	95.14	581	3264
Jun	94.83	94.95	+0.03	94.95	94.83	77	2353

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.72	16.45	4.854	2.026	4950	5.449	20.87	499.6	409.8	21.66	3.979	2.089	4.468	3.254	355.5	2.573
Denmark	(DKr)	53.43	10	8.788	2.593	1.084	2645	2.912	11.15	266.9	218.9	11.57	2.126	1.116	2.385	1.739	189.9	1.375
France	(FFr)	60.80	11.38	10	2.951	1.233	3010	3.313	12.69	303.7	249.1	13.17	2.419	1.270	2.714	1.978	216.1	1.564
Germany	(DM)	20.60	3.858	3.389	1	0.418	1020	1.123	4.300	102.9	84.42	4.462	0.820	0.430	0.920	0.670	73.24	0.530
Ireland	(I£)	49.31	9.229	8.110	2.393	1	2441	2.687	10.29	246.3	202.1	10.68	1.962	1.030	2.201	1.605	175.3	1.269
Italy	(L)	2.020	0.378	0.332	0.098	0.041	100.	0.110	0.422	10.09	8.278	0.438	0.080	0.042	0.090	0.066	7.181	0.052
Netherlands	(Fl)	18.35	3.435	3.018	0.891	0.372	908.4	1	3.831	91.68	75.20	3.975	0.730	0.383	0.819	0.597	65.24	0.472
Norway	(NKr)	47.91	8.968	7.880	2.325	0.972	2371	2.611	10	239.3	196.3	10.38	1.906	1.001	2.138	1.559	170.3	1.233
Portugal	(Es)	20.02	3.746	3.292	0.972	0.406	990.8	1.091	4.178	100.	82.02	4.335	0.796	0.418	0.893	0.651	71.15	0.515
Spain	(Pta)	24.40	4.567	4.014	1.185	0.495	1208	1.330	5.094	121.9	100.	5.285	0.971	0.510	1.089	0.794	86.75	0.628
Sweden	(SKr)	46.17	8.641	7.594	2.241	0.936	2285	2.516	9.637	230.7	189.2	10	1.837	0.964	2.061	1.502	164.1	1.188
Switzerland	(SFr)	25.13	4.704	4.134	1.220	0.510	1244	1.370	5.246	125.6	103.0	5.444	1	0.525	1.122	0.818	89.34	0.647
UK	(£)	47.88	8.961	7.875	2.324	0.971	2370	2.609	9.994	239.2	196.2	10.37	1.905	1	2.137	1.558	170.2	1.232
Canada	(C$)	22.41	4.193	3.685	1.088	0.454	1109	1.221	4.677	111.9	91.81	4.853	0.891	0.468	1	0.729	79.64	0.577
US	($)	30.73	5.752	5.055	1.492	0.623	1521	1.675	6.415	153.5	125.9	6.656	1.223	0.642	1.372	1	109.2	0.791
Japan	(Y)	28.13	5.265	4.627	1.365	0.571	1392	1.533	5.872	140.5	115.3	6.093	1.119	0.588	1.256	0.915	100.	0.724
Ecu		38.86	7.274	6.392	1.886	0.788	1924	2.118	8.112	194.2	159.3	8.417	1.546	0.812	1.735	1.265	138.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6619	0.6688	+0.0065	0.6699	0.6619	25,752	55,413
Dec	0.6670	0.6734	+0.0071	0.6734	0.6670	65	2,306
Mar	-	0.6766	+0.0060	0.6766	-	23	311

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8032	0.8180	+0.0120	0.8174	0.8032	13,965	34,192
Dec	0.8100	0.8235	+0.0135	0.8235	0.8213	39	1,382
Mar	-	0.8165	-	-	-	37	95

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9143	0.9206	+0.0062	0.9225	0.9143	12,531	80,419
Dec	0.9310	0.9315	+0.0054	0.9305	0.9305	47	3,775
Mar	-	0.9375	-	-	-	2	141

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5522	1.5546	+0.0024	1.5580	1.5510	3,672	58,152
Dec	1.5490	1.5550	+0.0012	1.5570	-	5	1,093
Mar	-	1.5570	+0.0012	1.5590	-	1	6

UK INTEREST RATES

LONDON MONEY RATES

Jul 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5½	5⅞ - 5⅝	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	6 - 5⅞
Discount Market deps	6 - [illegible]	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jul 12, 5.4913pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Schemes II & III 7.20pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Schemes IV & V 5.936pc. Finance House Base Rate 6pc from Jul 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.29	94.30	+0.01	94.30	94.27	13243	86863
Dec	94.17	94.21	+0.02	94.21	94.15	23072	95140
Mar	93.87	93.90	+0.01	93.91	93.84	10623	62138
Jun	93.45	93.46	-	93.48	93.39	7469	43557
Sep	93.02	93.01	-0.01	93.04	92.95	4588	30278

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.12	0.17	0.15	0.07	0.21	0.50
9450	0.02	0.07	0.09	0.22	0.36	0.69
9475	0	0.02	0.05	0.45	0.56	0.90

Est. vol. total, Calls 5726 Puts 6998. Previous day's open int., Calls 124008 Puts 104610

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	●Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	• Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		
		●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Jul 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.153	-0.032	-0.82	1.91	6
Netherlands	2.15214	2.14455	-0.00458	-0.35	1.43	3
Belgium	39.3960	39.3409	-0.0917	-0.14	1.21	1
Germany	1.91007	1.90883	-0.00484	-0.01	1.08	0
Austria	13.4383	13.4400	-0.0317	0.01	1.06	-0
Ireland	0.792214	0.794969	+0.005871	0.35	0.72	-2
Portugal	195.792	196.539	-0.235	0.38	0.69	-3
Denmark	7.28580	7.36275	-0.01563	1.06	0.01	-7
France	6.40608	6.47459	-0.00685	1.07	0.00	-9
NON ERM MEMBERS						
Greece	292.867	302.075	+1.048	3.14	-2.01	-
Italy	2106.15	1943.13	+11.89	-7.74	9.55	-
UK	0.786652	0.817594	+0.007026	3.93	-2.76	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.520	3.23	3.44	-	0.03	0.24	0.47
1.530	2.40	2.65	2.33	0.15	0.45	1.06
1.540	1.63	2.01	1.76	0.37	0.75	1.49
1.550	1.00	1.42	1.29	0.73	1.17	2.02
1.560	0.55	0.96	0.92	1.28	1.70	2.58

Previous day's vol., Calls 2,207 Puts 1,626 . Prev. day's open int., Calls 142,562 Puts 118,746

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.14	94.14	-	94.15	94.11	78,859	411,866
Dec	93.82	93.84	-	93.85	93.79	86,705	440,381
Mar	93.67	93.68	-	93.69	93.62	79,842	293,293

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.65	94.68	-	94.68	94.65	464	7,165
Dec	94.44	94.47	-	94.47	94.44	109	1,508
Mar	-	94.27	-0.02	-	94.26	6	168

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9650	0.19	0.20	0.15	0.19	0.02	0.03	0.12	0.16
9675	0.03	0.05	0.05	0.07	0.11	0.13	0.27	0.29
9700	0.01	0.01	0.01	0.02	0.34	0.34	0.48	0.49

Est. vol. total, Calls 12035 Puts 6815. Previous day's open int., Calls 283098 Puts 300818

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9750	0.05	0.08	0.10	0.21	0.40	0.62
9775	0.01	0.04	0.04	0.41	0.61	0.81

Est. vol. total, Calls 50 Puts 100. Previous day's open int., Calls 9180 Puts 4952

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9150	0.24	0.62	0.65	0.20	0.17	0.23
9175	0.12	0.45	0.68	0.33	0.25	0.31
9200	0.06	0.33	0.53	0.52	0.36	0.41

Est. vol. total, Calls 5395 Puts 1394. Previous day's open int., Calls 47406 Puts 25747

SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 300.000.000 REVERSE FLOATING RATE NOTES
DUE JANUARY 14, 2003
ISIN CODE: XS0040147158

For the period July 15, 1996 to January 14, 1997 the new rate has been fixed at 16,8872% P.A.
Next payment date: January 14, 1997 Coupon nr: 9
Amount: FRF 85 843,27 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST LUXEMBOURG

SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 300.000.000 REVERSE FLOATING RATE NOTES
DUE OCTOBER 15, 1997
ISIN CODE: XS0034197037

For the period July 15, 1996 to October 15, 1996 the new rate has been fixed at 25,625% P.A.
Next payment date: October 15, 1996 Coupon nr: 17
Amount: FRF 65 486,11 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST LUXEMBOURG

COMMODITIES AND AGRICULTURE

Australian wheat price estimate cut

By Nikki Tait in Sydney

The Australian Wheat Board, which handles the country's grain exports, yesterday lowered its estimate for the 1996-97 "Australian Standard Wheat" pool by $10 a tonne, to $225 a tonne. Its estimates for the "hard" and "prime hard" pools were revised downwards by $15 a tonne to $240 and $260 a tonnes respectively.

The AWB acknowledged that this was the second time that it had reduced its estimates for the 1996-97 pools, but claimed that did not necessarily signal "the beginning of a trend". The downgrades, it said, "simply reflect the current uncertainty in the world about the supply of and demand for grain".

"In recent weeks, we've seen an unexpected recovery in the US "hard red winter" wheat crop, and excellent progress being made by a very large US and Canadian spring wheat crops," commented Mr Ron Storey, the AWB's general manager, merchandising.

"That's being mirrored by the very good conditions we're experiencing here in Australia. Much of this wheat is medium to high protein wheat and this potential increase in supply is putting pressure on the premium end of the wheat market". The major wheat buyers, he added, were looking for much better domestic supplies and buying patterns had yet to emerge; "In effect we're still waiting for buyers and sellers to agree on the direction of this market," he said.

● At the Chicago Board of Trade yesterday wheat futures prices continued the retracement that started last Friday. In afternoon trading the September position was quoted at $4.83 a bushel, down 9.5 cents on the day and 29 cents from the peak reached last Thursday after a 38.5-cent rise.

Guyana starts selling off bauxite industry

By Canute James in Kingston

Guyana is starting the divestment of its bauxite industry by offering for privatisation a major refractory grade mine. Linmine, located about 100km from Georgetown, the capital, has about 20m tonnes of ore in the pit now being worked and known reserves of 56m tonnes.

The mine, which was owned by Alcan of Canada until it was nationalised in 1971, produced 181,000 tonnes of refractory grade ore last year, accounting for just under 80 per cent of Guyana's production.

Refractory grade bauxite is used to line furnaces and kilns in industries using processes that involve high temperatures.

Guyana, an English-speaking republic on the north east shoulder of South America, produced 231,000 tonnes of refractory grade bauxite last year, and shares with China the world market for the product.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+3,275	to 900,150
Aluminium alloy	-380	to 85,840
Copper	-1,900	to 230,975
Lead	+625	to 98,825
Nickel	+60	to 32,190
Zinc	+3,550	to 571,100
Tin	+95	to 10,885

India expected to boost LNG imports

By Robert Corzine

Imports of liquefied natural gas should make rapid inroads into India over the next 15 years or so, according to a new study by Wood Mackenzie, the Edinburgh-based energy consultancy.

The report suggests Indian gas prices will rise to world market levels over the next four years, paving the way for a rapid increase in LNG imports. These will be delivered at coastal import terminals that will serve local Indian markets, especially for power generation.

Schemes to pipe gas to India from Oman, Iran and Bangladesh are unlikely to materialise before 2010, according to Wood Mackenzie, thus underpinning LNG's future role in India's energy mix.

The pipeline projects suffer from high expense, geopolitical problems and engineering or technical difficulties.

The report predicts that LNG imports will begin between 2000 and 2005, with annual imports reaching 12bn cubic meters by 2010, compared with expected domestic production of 34bcm a year.

Middle East gas producers are expected to have an advantage in supplying India. "We believe that imports of Qatari LNG into India at between $3.50-$4.00 per MBTU will become economically attractive."

But even with a rapid build-up of LNG imports India is likely to continue to experience gas supply shortages for many years to come. Current demand is just 18bcm, although requests for gas connection to Gail, the state gas authority, suggests pent up demand of 96bcm a year by the end of the decade.

Indian Gas - Can the Customer Be Served? 66 pages. Wood Mackenzie, Kintore House, 74-77 Queen Street, Edinburgh EH2 4NS

Mongolian herdsmen make a comback as the grain revolution goes into reverse

Geoff Tansey on the transition from a centrally planned to a market economy that began in 1990

Sitting on his horse in north central Mongolia, herding sheep cattle, horses and a few goats, Mr Damdinragchaa is content. His round, white felt tent – known as a gur – is just visible in the distance. It is the only sign of human habitation in sight.

The 200 sheep he looks after for a nearby privatised crop farming company graze on land that grew wheat until recently. It went out of production following the transition from a centrally planned to market economy that began in 1990; and this process is expected to speed up after the election victory of the Democratic Union Coalition last month.

Mr Damdinragchaa has a three-year contract to look after the sheep and another 20 horses for the company. For this he gets paid 39 tugriks (8 US cents) per sheep per month and 60 tugriks a month for each of the horses. He delivers the wool to the company in the spring and some animals for meat in the bitterly cold but dry winters in this huge, high, arid central Asian country.

Sometimes, he barters the products of his own animals for goods with traders but usually he sells them for cash. Market prices in the capital city, Ulaanbaatar, he hears from neighbours or, more usually, the radio, a vital piece of equipment for most herdsmen.

There were 169,300 herdsmen in 1995 according to the State Statistical Office but the total number of families with animals was 283,900, says an official. In Mongolia herding is the traditional way of life and horses the passion. The diet is fairly restricted, however, being meat- and dairy-based with few fruits and vegetables.

The land is vast – it covers an areas larger than Spain, Portugal, France, Germany, the Netherlands, Belgium and Luxembourg combined – but the population is tiny, about 2.3 million. Of these, 1.2m live in towns and over 600,000 in the capital. The countryside, even in the central northern areas where most crop farming is carried out, feels almost empty. Agriculture accounts for 21 per cent of GDP and incomes are very low, with a GNP per capita of $340 in 1994, according to the 1996 World Bank Atlas.

Wheat production was only introduced on any scale under Russian influence about 35 years ago, as part of the Virgin Lands programme, when large-scale, mechanised state farms were developed. With a growing season of about 90 days, timing is critical. The state farms have now been at least partly broken up and privatised but still follow the same farming practices. The area under cultivation has dropped considerably, from 654,100 hectares in cereals, mainly wheat, in 1990 to 449,100 ha in 1994, according to SSO figures. Wheat production fell from 596,200 tonnes in 1990 to 321,900 in 1994, leading to large food aid requirements. A World Bank study suggested that it would not be economic to be self-sufficient in wheat but self-sufficiency for food security is still a live issue.

The area under fodder crops dropped much more dramatically, from 117,800 ha to 10,900 between 1990 and 1994, as the large dairy enterprises were broken up.

It is just two years since Mr Dugar in the Nomgon district of Selenge province became a dairy farmer after the large complex, at which he used to be the sports teacher, was broken up into 15 smaller units. He and has wife have received loans and training as part of a project to support the development of small-scale dairying in this area. They plan to process milk at a local factory and market the products in the nearby city of Darhan.

Learning how to operate in a market, how to set prices, is a challenge facing not just Mr Dugar but most of Mongolia's farmers and herders. "All the markets for commercial agricultural products are in the aimag [provincial] centres" says Ms Brigid Poon, a UN Foof and Agriculture Organisation market information consultant working on a marketing development project. She is concerned with ensuring that there is a flow of market information to help farmers and herders decide what to produce.

"There are two different problems," she says. "First of all, getting the market information message out to aimag centres, then to soms [districts]. What we are trying to do with market information is really to encourage flows of produce."

The other problem is that in Mongolia the distances are very, very great and people's understanding of markets is still very limited. Mongolia has a useful legacy from the past, however, with a largely literate population and the wide reach of radio into the countryside and TV in the towns and cities. About two thirds of herders have radios.

> The country's wheat production fell from 596,200 tonnes in 1990 to 321,900 in 1994, leading to large food aid requirements

Few of them look after other companies' sheep like Mr Damdinragchaa. This only happens in the central northern cropping areas, he says. He was a tractor driver until he had health problems ten years ago and became a herder. The majority of herders are found in other parts of Mongolia, still practising their nomadic way of life. For them and the settled families who keep animals, the animals are their wealth and they want more of them.

About 100km north of Ulaanbaatar two young brothers have lived permanently in a gur just off the road for the past two years looking after the family's 60 sheep and goats, 30 horses, 10 cattle and a few pigs. An elder brother, Mr Ganbold, visits them regularly to see how they are getting on. These animals are the main wealth of five related families and are used for meat, draught and to generate cash from their products, including skins, hides and cashmere. "If possible we'll grow to having a 1,000" he says.

Such sentiments are of great concern for the Ministry of Nature and Environment. Overgrazing is a big issue facing Mongolia, according to officials, who are also concerned about the environmental effects of off-road vehicles, which are carving out tracks up to 2km wide across a country with very few roads.

For Mr Damdinragchaa, however, life is better than it was ten years ago. He prefers being a herder. "The animals are profitable," he says. "Also it's free, there are no controls over you, there is more liberty in the job."

Geoff Tansey

Herding is the tradition and horses the passion in Mongolia

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1433-4	1470-1
Previous	1422-3	1459-60
High/low	1425	1470/1457
AM Official	1424.5-5.5	1459.5-60.5
Kerb close		1468-9
Open int.	246,477	
Total daily turnover	68,322	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1220-30	1258-60
Previous	1213-8	1248-50
High/low		1260/1255
AM Official	1216-20	1252-5
Kerb close		1260-65
Open int.	5,205	
Total daily turnover	721	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	754.5-5.5	767.5-8.5
Previous	762-3	773-4
High/low	750	768.5/756
AM Official	750-1	765-6
Kerb close		767-8
Open int.	31,181	
Total daily turnover	11,413	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7140-50	7250-60
Previous	7005-15	7120-30
High/low	6946	7320/6970
AM Official	6950-55	7058-62
Kerb close		7210-20
Open int.	43,015	
Total daily turnover	19,824	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6195-205	6250-55
Previous	6225-35	6275-80
High/low		6250/6170
AM Official	6180-90	6235-40
Kerb close		6240-45
Open int.	16,362	
Total daily turnover	6,755	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	990-1	1008-9
Previous	988.5-9.5	1016.5-7.0
High/low	977.5	1011/995
AM Official	977.5-8.0	1007-8
Kerb close		1013-4
Open int.	88,608	
Total daily turnover	23,170	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1957-72	1872-7
Previous	1902-3	1851-3
High/low	1970/1936	1875/1823
AM Official	1930-34	1855-60
Kerb close		1868-70
Open int.	233,563	
Total daily turnover	69,974	

■ LME AM Official £/$ rate: 1.5550
LME Closing £/$ rate: 1.5586
Spot: 1.5591 3 mths: 1.5585 6 mths: 1.5601 9 mths: 1.5615

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	88.05	+1.10	88.00	87.20	603	3,155
Aug	88.20	+1.20	88.50	88.10	26	2,240
Sep	87.60	+1.25	88.75	86.20	3,284	19,679
Oct	87.20	+1.25	88.50	87.50	12	1,307
Nov	87.20	+1.65	87.50	87.50	55	1,086
Dec	86.85	+1.60	87.65	85.80	795	13,116

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	384.60-385.10		
Opening	384.70-385.10		
Morning fix	384.55	247.682	478.505
Afternoon fix	384.25	247.201	472.704
Day's High	385.70-386.10		
Day's Low	384.00-384.40		
Previous close	383.50-383.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.35	6 months	3.98
2 months	4.25	12 months	3.85
3 months	4.20		

Silver Fix	p/troy oz.	US cts equiv.
Spot	330.95	515.15
3 months	335.25	521.75
6 months	339.35	528.65
1 year	348.20	543.10

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	252-254
Maple Leaf	394.70-397.20	-
New Sovereign	87-90	56-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	383.8	-1.4	-	-	163	163
Aug	384.2	-1.5	387.0	384.0	31,526	78,300
Oct	386.9	-1.6	389.7	387.1	1,804	7,467
Dec	389.5	-1.6	392.4	389.1	7,702	43,658
Feb	392.1	-1.8	394.0	392.4	670	8,101
Apr	394.5	-1.6	395.1	395.2	17	5,701
Total					41,887	162,937

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	392.2	-6.0	398.5	394.5	27	408
Oct	395.7	-6.0	402.5	395.8	3,859	21,638
Jan	398.4	-5.0	403.5	398.1	22	2,483
Apr	401.1	-5.0	401.0	403.0	45	2,222
Jul	404.1	-5.0	404.0	404.0	51	180
Total					3,957	26,931

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	135.80	+1.65	136.90	134.50	204	6,772
Dec	136.25	+1.60	136.00	136.00	45	1,003
Mar	137.35	+1.60	-	-	-	12
Jun	138.40	+1.60	-	-	-	197
Total					259	7,984

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	490.3	-22.1	510.0	488.0	22	122
Aug	491.4	-22.2	-	-	-	-
Sep	494.2	-22.2	518.0	493.0	12,279	80,151
Dec	502.3	-22.5	526.0	500.0	1,222	23,364
Mar	510.4	-22.8	534.5	515.0	304	6,252
May	515.4	-23.1	530.0	530.0	8	3,414
Total					14,167	161,972

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	22.33	-0.15	22.55	22.06	47,402	68,582
Sep	21.62	-0.09	21.85	21.42	27,665	63,678
Oct	20.91	-0.15	21.14	20.75	9,454	32,802
Nov	20.35	-0.18	20.52	20.26	3,102	27,497
Dec	19.90	-0.23	20.09	19.88	7,076	32,150
Jan	19.50	-0.23	19.77	19.58	3,853	24,471
Total					111,422	389,476

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	20.40	-0.05	20.56	20.36	6,703	13,147
Sep	19.95	-0.05	20.15	19.78	19,830	76,365
Oct	19.42	-0.08	19.62	19.30	3,676	25,434
Nov	18.94	-0.17	19.17	18.94	2,250	8,520
Dec	18.58	-0.15	18.82	18.56	1,823	14,876
Jan	18.42	-0.02	18.50	18.34	1,207	12,063
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	57.05	-0.67	58.65	56.75	11,429	31,747
Sep	57.30	-0.59	58.20	57.10	4,663	18,629
Oct	57.80	-0.59	58.40	57.40	2,054	7,473
Nov	58.00	-0.59	58.70	57.90	1,222	8,032
Dec	58.20	-0.59	58.90	58.10	2,437	20,880
Jan	58.40	-0.34	58.85	58.20	1,417	8,059
Total					24,863	111,268

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	179.25	+2.75	180.25	176.50	6,671	22,791
Sep	176.75	+2.50	177.50	175.75	2,695	8,125
Oct	175.75	-	176.00	174.50	1,096	4,289
Nov	175.00	+2.50	175.25	173.75	635	1,591
Dec	174.50	+2.75	174.75	173.25	1,309	6,004
Jan	173.00	+2.75	173.00	172.00	202	2,325
Total					12,081	56,715

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.755	-0.010	2.780	2.745	10,266	30,650
Sep	2.750	-0.024	2.780	2.740	4,539	27,444
Oct	2.676	-0.022	2.705	2.675	2,092	21,064
Nov	2.655	-0.027	2.685	2.650	12	12,869
Dec	2.675	-0.025	2.700	2.670	625	15,818
Jan	2.680	-0.017	2.700	2.675	[illegible]	[illegible]
Total					19,328	189,904

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	65.10	-0.45	65.80	64.40	14,827	25,724
Sep	63.40	-0.43	63.90	62.90	5,995	18,987
Oct	60.45	-0.28	60.80	60.20	1,608	5,972
Nov	58.20	-0.28	58.60	58.15	348	2,171
Dec	56.60	-0.18	57.15	56.80	743	1,665
Jan	56.60	-0.22	56.60	56.60	30	1,167
Total					23,686	57,602

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.50	-0.40	111.25	110.75	37	410
Nov	112.65	-0.25	113.25	112.60	104	3,036
Jan	114.65	-0.25	115.10	114.65	42	1,243
Mar	116.65	+0.15	116.80	116.60	5	428
May	118.50	-	119.00	118.50	37	226
Jul	120.50	-	-	-	-	25
Total					225	5,383

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	488.50	-10.75	491.25	474.00	235	2,282
Sep	483.25	-9.25	494.50	476.50	8,623	32,035
Dec	493.50	-5.5	501.50	486.00	10,571	28,427
Mar	493.50	-1.25	502.00	488.50	618	4,891
May	463.00	-4	464.00	455.00	22	[illegible]
Jul	423.00	-3	425.50	420.00	104	2,083
Total					20,895	80,483

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	501.75	-30.25	535.50	500.00	2,778	4,136
Sep	404.50	-12	419.00	404.50	18,018	77,769
Dec	367.25	-12	381.00	367.25	45,253	188,132
Mar	372.00	-11.75	384.50	371.75	2,363	28,394
May	375.25	-10.75	387.00	375.00	728	6,285
Jul	374.25	-10.25	384.00	373.50	535	7,601
Total					69,728	318,341

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	104.25	-0.05	104.25	104.25	2	129
Nov	106.50	-0.40	106.75	106.75	27	832
Jan	108.50	-0.40	108.50	108.50	4	201
Mar	110.65	-0.75	111.50	111.50	5	46
May	111.00	-1.80	-	-	-	15
Total					38	1,223

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	823.00	-18	841.00	815.00	1,344	2,068
Aug	820.50	-17.5	838.00	808.00	13,077	36,484
Sep	807.00	-13.25	822.25	795.00	2,706	12,335
Nov	793.50	-13.25	812.00	781.00	60,523	117,695
Jan	798.50	-15	816.00	788.00	1,523	9,441
Mar	803.25	-14.25	817.00	793.00	1,497	5,783
Total					88,638	198,807

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	25.87	-0.41	26.40	0.26	2,883	1,780
Aug	26.07	-0.32	26.45	25.88	5,000	18,574
Sep	26.29	-0.29	26.62	25.88	2,769	14,707
Oct	26.49	-0.27	26.80	26.05	1,317	8,731
Dec	26.84	-0.38	27.24	26.45	8,258	29,891
Jan	26.95	-0.35	27.40	26.72	254	2,844
Total					25,376	89,729

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	255.8	-4.5	260.5	253.5	2,098	3,730
Aug	254.0	-4.3	258.3	250.8	5,315	23,893
Sep	251.9	-4.5	256.5	250.0	1,823	16,054
Oct	249.9	-4.5	253.0	244.8	672	6,690
Dec	247.2	-4.5	251.5	243.2	9,697	27,611
Jan	247.0	-4.0	250.2	243.2	37	3,094
Total					28,486	80,080

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	95.0					
Apr	138.5	-5.0	140.0	133.0	131	1,309
May	158.0					
Jun	162.5					
Total					131	1,312

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1116	+8	1120	1115	47	1,614
Aug	1122	+14	1122	1115	50	728
Sep	1153	+17	1160	1140	28	328
Oct	1223	+7	1220	1222	42	1,471
Jan	1246	+8	1245	1245	5	285
Apr	1255	+12	1255	1255	10	98
Total					186	4,855

	Close	Prev
BFI	1,109	1112

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	985	-18	1003	1003	1	319
Sep	996	-21	1022	996	1,316	43,000
Dec	1000	-20	1022	996	1,774	42,691
Mar	1015	-17	1024	1014	2,049	36,280
May	1026	-17	1042	1025	459	20,109
Jul	1036	-17	1042	1036	78	11,739
Total					5,645	189,492

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1284	-49	1333	1291	1	48
Sep	1338	-39	1380	1336	2,164	28,448
Dec	1377	-37	1412	1375	734	16,284
Mar	1404	-35	1438	1402	163	15,513
May	1417	-37	1426	1418	12	6,672
Jul	1435	-19	1440	1435	1	5,905
Total					3,623	79,907

■ COCOA (ICCO) (SDR's/tonne)

Jul 15	Price	Prev. day
Daily	1042.95	1040.22

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1585	-9	1581	1554	195	524
Sep	1573	-15	1595	1570	3,194	17,180
Nov	1491	-32	1521	1487	2,413	5,879
Jan	1432	-32	1460	1430	652	3,553
Mar	1405	-39	1435	1405	142	1,725
May	1385	-38	1415	1407	38	215
Total					6,654	29,108

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	111.40	-4.05	117.75	111.00	209	181
Sep	102.95	-3.45	106.10	102.60	11,106	16,016
Dec	99.05	-3.15	102.60	97.85	1,740	6,504
Mar	94.95	-3.70	98.50	94.80	357	2,298
May	93.15	-5.35	98.00	93.00	101	518
Jul	93.00	-4.25	96.95	98.50	41	172
Total					13,592	25,757

■ COFFEE (ICO) (US cents/pound)

Jul 15	Price	Prev. day
Comp. daily	98.43	101.63
15 day average	105.99	105.71

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	355.6	+2.5	358.1	352.0	746	1,016
Dec	351.8	-3.5	355.3	350.0	1,180	9,763
Mar	345.4	-2.1	347.7	344.6	81	3,761
May	339.5	-1.6	341.2	338.5	250	4,480
Aug	338.1	-1.3	-	-	-	2,317
Oct	323.3	-0.8	-	-	-	855
Total					2,278	23,076

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.85	-0.20	11.91	11.84	7,261	73,557
Mar	11.35	-0.13	11.37	11.24	3,126	38,799
May	10.89	-0.11	11.02	10.94	605	16,004
Jul	10.72	-0.07	10.76	10.72	745	11,566
Oct	10.52	-0.03	10.55	10.52	116	5,394
Mar	10.41	-0.02	10.41	10.41	2	532
Total					11,927	145,808

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	72.80	+0.60	72.85	71.80	673	7,893
Oct	73.65	+0.35	73.70	72.80	3,628	34,173
Dec	75.00	+0.45	75.00	74.25	250	7,852
Mar	75.60	+0.25	75.90	74.75	125	5,740
May	75.90	+0.25	75.90	75.80	[illegible]	3,980
Jul	76.15	+0.30	76.15	75.80	15	924
Total					4,207	63,247

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	113.10	+1.30	113.35	112.00	748	12,201
Sep	110.40	+1.30	110.50	109.20	306	3,350
Nov	110.15	+1.10	110.20	108.90	354	3,998
Jan	111.15	+1.00	112.20	112.00	134	535
Mar	112.80	+0.75	126.00	126.00	8	200
Jul	115.65	+0.90	124.75	124.75	100	183
Total					1,413	20,950

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	67.925	+0.2	68.000	67.175	5,603	32,473
Oct	69.375	-0.2	69.750	68.775	2,644	30,617
Dec	66.175	-0.325	66.575	65.650	1,900	14,188
Feb	64.650	-0.3	65.025	64.175	894	12,752
Apr	67.150	-0.35	67.475	66.700	404	4,321
Jun	66.100	-0.35	66.350	65.950	[illegible]	1,589
Total					11,700	97,587

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	60.250	-0.1	60.500	59.800	373	2,120
Aug	58.650	-0.275	59.400	57.625	3,574	12,211
Oct	54.375	-0.3	54.775	53.950	2,007	10,922
Dec	56.075	-0.6	56.675	55.550	777	8,354
Feb	77.650	-0.425	78.000	77.500	118	2,305
Apr	76.000	-0.25	76.000	75.500	42	750
Total					7,490	377,29

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	91.400	+2	91.400	91.400	134	1,242
Aug	88.300	+2	88.300	88.300	376	3,465
Feb	82.975	-0.425	84.300	82.450	645	1,507
Mar	82.550	-0.85	84.250	82.100	32	81
May	84.300	-0.1	84.600	83.500	11	82
Total					1,198	6,385

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1350	108	150	5	16
1450	37	83	33	47
1550	7	39	102	100
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1800	151	171	57	109
1900	97	124	102	160
2000	59	88	163	222
■ COFFEE LCE	Sep	Nov	Sep	Nov
1650	67	96	94	189
1700	50	80	127	225
1750	36	66	163	264
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	31	66	33	66
1025	24	55	51	80
1050	18	46	70	96
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1900	-	91	28	51
1950	-	68	46	-
2000	60	54	70	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.03-8.08	-0.115
Brent Blend (dated)	$20.21-0.25	+0.08
Brent Blend (Sep)	$19.82-9.84	+0.01
W.T.I.	$21.50-1.53x	+0.03

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$216-218	
Gas Oil	$182-183	+3
Heavy Fuel Oil	$88-90	
Naphtha	$190-193	+0.5
Jet fuel	$207-209	+4
Diesel	$184-185	+2

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	13.10-13.30	-0.175

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♦	$384.80	+1.10
Silver (per troy oz)♦	509.50c	
Platinum (per troy oz.)	$393.90	+1.15
Palladium (per troy oz.)	$133.15	+1.90
Copper	95.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.29r	-0.11
Tin (New York)	290.50	-1.00
Cattle (live weight)	102.38p	
Sheep (live weight)	113.82p	
Pigs (live weight)†	118.70p	
Lon. day sugar (raw)	$321.40	+1.8
Lon. day sugar (wte)	$356.00	-12.5
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Aug)¥	80.00p	
Rubber (Sep)¥	80.00p	
Rubber (KL RSS No1 Aug)	329.00m	-2.5
Coconut Oil (Phil)§	765.0w	
Palm Oil (Malay)§	547.5w	
Copra (Phil)§	508.0w	
Soyabeans (US)	232.0	-2.0
Cotton Outlook 'A' index	80.05c	
Wooltops (64s Super)	430p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jul/Aug y Sep † London Physical. § CIF Rotterdam. ♦ Bullion market close. * Change on week. †Based on 408 head of pigs sold.

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 2,700-2,850 (2,620-2,920). Bismuth: min. 99.99%, tonne lots 3.20-3.70. Cadmium: min. 99.95%, 65-105 (60-100) cents a pound. Cobalt: MB free market, 99.8%, 23.00-23.75 (23.50-24.50); 99.3%, 21.00-22.00 (21.50-22.80). Mercury: min. 99.99%, $ per 76 lb flask, 162-172 (162-175). Molybdenum: drummed molybdic oxide, 3.35-3.65. Selenium: min 99.5%, 3.05-4.40. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 52-62. Vanadium: min. 98%, cif, 3.00-3.09 (3.00-3.10). Uranium: Nuexco exchange value, 15.00.

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 16	Jul 15	month ago	year ago
1965.7	1962.3	2051.6	2247.9

■ CRB Futures (Base: 1967=100)

Jul 15	Jul 12	month ago	year ago
251.63	251.58	[illegible]	[illegible]

■ GSCI Spot (Base: 1970=100)

Jul 15	Jul 12	month ago	year ago
211.01	209.64	202.82	173.47

JOTTER PAD

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CROSSWORD

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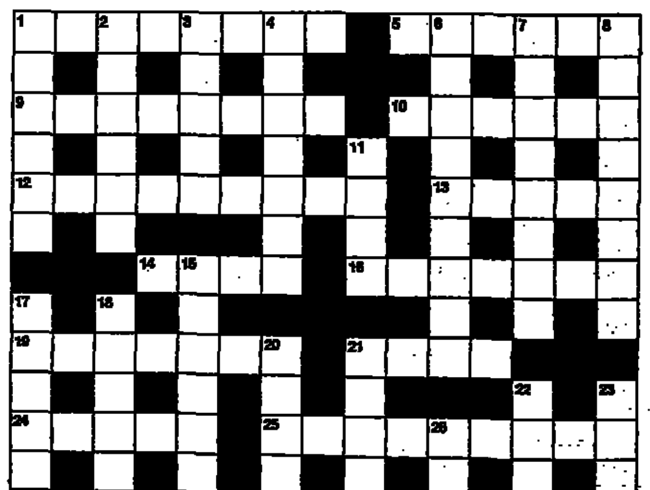
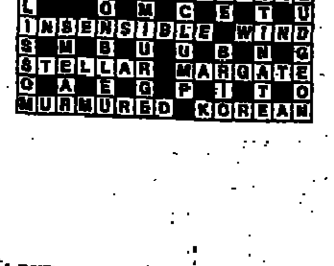


ACROSS
1 Dog displayed drink (8)
5 Page one has plenty about a gun (6)
9 Stretcher provided by former nurse? (8)
10 Unit of currency worth more than the pound in West Africa (6)
12 Rock providing smooth sound around music centre (9)
13 As senior member, a fellow entertains you (5)
14 Midday? No, almost one (4)
16 Lower, being disappointed (3,4)
19 In business, placing advertisement in Herts town (7)
21 Architect taking part in a show (4)
24 Gothic revivalist dog's home (5)
25 Awful dispute in Hyde Park? (6,3)
27 Lead boy round destroyer (6)
28 City left with gold to be received by receiver (8)
29 Smack in quarrel is high-handed (6)
30 Presents given out for audacity (8)

DOWN
1 Reluctant savers expect yield (6)
2 Scolding a sailor (6)
3 Scandinavians with great dogs (5)
4 Be prone to recognise song first (3,4)
6 Floods providing one religious woman with fruit (9)
7 Poet composing sonnet about New York (8)
8 Latin bringing in scholarship (8)
11 Grain ground for dinner, say (4)
15 People from Asia, but perhaps not Israel (9)
17 Break one's journey and fret too much? (4,4)
18 Shaky seat, alarming, may be dismembered (8)
20 Dressing found in sugar basin? (4)
21 South African province that is for a girl (7)
22 Hamlet, say, incorporated in disheartened procrastinator, Elsinore's leading character (6)
23 Confectionery we consumed in groups (6)
26 A white heron from Winnipeg returns (5)

Solution 9,121



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Prof Advisers 0800 414181
Private Clients 0800 414161
From Overseas (44) 1732 777377
Jersey 01534 71696
Hong Kong (852) 848 1000

	Selling Price	+ or -	Yield Gr's
A$ Accum	A$18.944	+0.008	6.30
ASch Accum	Sch347.56	+0.02	2.20
C$ Accum	C$18.548	+0.002	3.60
DM Accum	DM38.117	+0.002	2.10
DFl Accum	Dfl31.523	+0.001	1.70
ECU Accum	Ecu19.384	+0.001	3.30
FFr Accum	FFr86.561	+0.005	2.60
HK$ Accum	HK$118.98	+0.01	4.20
Lira Accum	L29148	+5	8.50
NZ$ Accum	NZ$39.020	+0.008	8.80
NKr Accum	NKr111.53	—	3.40
S$ Accum	S$25.876	+0.001	1.80
SPta Accum	Pta2602.2	+0.5	6.40
£ Accum	£12.972	+0.002	4.70
SKr Accum	SKr119.83	+0.01	4.70
SFr Accum	SFr32.325	+0.001	0.90
US$ Accum	$23.206	+0.003	4.30
Yen Accum	Y2689.7	—	0.10

Prices for dealing July 15

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1259, Hamilton, Bermuda 001 809 292 2780
Jupiter Tyndall Worst Umbrella Fund Ltd

	Selling Price	Buying Price	+ or -	Yield
Eurobond	$15.43	16.21	+0.10	3.55
Money (2)	$14.11	14.83	+0.01	2.78
Mortgage (2)	C$23.12	24.29	+0.04	7.70
North American	$13.70	14.39	-0.02	-
Overseas	$19.94	20.93	-0.02	-
Tiger	$17.60	18.50	-0.79	-
UK Small Cos	21.39	1.47	-0.05	0.00

Newport Investment Management
20 Reid St, PO Box HM 3395 Hamilton Bermuda
UK: 0171 336 6666 Dealing: 01481 707600

Npt. Pacific	5	$4.5047	-0.0712	-
Npt Pacific		£2.9007	-0.0522	-
Newport Tiger Fd		$6.8723	-0.0934	-
Newport Tiger Fd		£4.4252	-0.0605	-

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 441 292 5370
Orion Jul 11 ... $27.15xd — -

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 01481 724983
Lloyds Bank Fund Managers (Guernsey) Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port, Guernsey 01481 707000

		Selling Price	Buying Price	+ or -	Yield
Managed Sterling		157.8	157.9	-0.1	4.05
Managed Dollar	5	$14.35	14.37	+0.05	3.82
Dollar Deposit		$10.08	10.09	+0.01	3.88

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 710742/3

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Rothschild Asset Mngmt - Contd.

Royal Bank of Canada Intl Money Market Fd

LGT Asset Management Ltd - Contd.

Tilney (Ireland) Ltd

IRELAND (REGULATED)(**)

Gordon House Asset Management Ltd

HSBC UK Equity Plus Plc

Hambros Fund Managers (Ireland) Ltd

Scottish Mutual Intl Fund Managers Ltd

Sellers Investment Management (Ireland) Ltd

Hill Samuel Fund Mgrs - Contd.

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Am Gwth Fd	$10.5823	11.1806	—	—
Offshore Emerging Cos	$7.2437	7.6679	—	—
Offshore Far East Gwth Fd	$4.9314	5.2406	—	—
Offshore Intl Gwth Fd	$5.8830	6.2307	—	—
Offshore Japanese Gwth Fd	$1.2907	1.3717	—	—
Offshore UK Growth Fd	$3.5894	3.8145	—	—
Offshore Asia Smaller Mkts	$1.7383	1.8473	—	—
Offshore Latin Amer Gwth	$1.0844	1.1524	—	—
Offshore European Gwth Fd	$2.4375	2.5904	—	—
Offshore Global Bond	$0.9329	0.9927	—	—
Offshore Global Bond Acc	$1.1285	1.1756	—	—

The Portugal Fund Limited
Lloyds Bank International (Jersey) Limited

NAV Jul 12	$8.87		—	—

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£23.35	21.69xd	—	1.14
Lowes Aggressive Portfolio	£10.77	11.33	—	—
Lowes Defensive Ptflio	£11.95	12.58	—	—
Lowes Collective Ptflio Ltd	£11.2	11.74	—	—

For Scrimgeour Kemp Gee see Hambros

TSB Fund Managers (CI) Ltd

TSB Island Pension	699.3	736.2	-14.0	—
Island Equity Acc	121.6	128.0	-2.5	—

WMB Asset Management (Jersey) Ltd

Res 500 En Mkts Dollar Income	$990.97	991.11xd	—	—

Worldinvest (Managers) Jersey Ltd

Woodinvest Inc Fd †	$252.18	263.43	—	5.93
Excelle Global Eqty $ *	$79.16	79.57	-1.82	—
Excelle Stg Global Fixed Inc*	£11.87	11.74xd	+0.11	4.56

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Dresdnerbank Asset Mngmt SA (u)
6A route de Treves L-2633 Senningerberg 00 352 4634031

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
DB-Lux Bondspezial (Inc)		DM71.66	73.89	—	—
DB-Lux Bondspezial (Dis)		DM99.48	103.41	—	—

E.T. Investment Management Ltd
13 Rue Goethe, BP 413, Luxembourg 00 352 404646217

Establishment Tst Jul 12	$2.86		-0.06	—

Eighteen Global SICAV (u)
13 Rue Goethe, L-1637, Luxembourg 00 352 404646213

Equity Portfolio Jul 11	$2.366		-0.044	—
Reserve Portfolio Jul 11	$2.034		-0.003	—

EquiFund–Wright National Eqty Fd (u) (x)
14 rue Aldringen, L-1118 Lux 00 352 478 66500

Australasian Nat.	A$15.19	15.34	—	—
Austrian Nat Equity	Sch58.93	67.22	—	—
Belgian/Lux Nat. Eqty	BFr739	739	—	—
French Nat Equity	FFr130.9	130.69	—	—
German Nat Equity	DM17.69	17.87	—	—
Dutch Nat Equity	Dfl36.92	37.30	—	—
Italian Nat Equity	L12124	12248	—	—
Japanese Nat Equity	Y1360	1383	—	—
Hong Kong Nat Equity	HK$115.3	116.48	—	—
Spanish Nat Equity	Pta1185	1197	—	—
UK Nat Equity	£10.08	10.18	—	—
United States Dlr Res	$10.86		—	—

Fidelity Funds (u)
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174
UK-01732 777377 Lux-00 352 25135123

Major Market Funds

America	$2.189	+0.011	—
Europe	DM4.702	-0.032	—
International	$15.75	-0.03	—
Japan	Y142.2	-0.8	—
Pacific	$9.001	-0.019	—
South East Asia	$2.787	-0.018	—

Country Select Funds

ASEAN	$22.39	-0.07	—
Asian Special Situations	$11.01	—	—

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapÂ£m	Yld Gr's	P/E
Anglo Am Ind		£28½	-¼	£34½	£28½	1,924	2.8	♦
Barlow	♦†	855	-35	£10⅞	865	1,286	2.1	-
Gold Flds Prop R.		128	—	178	120	12.3	7.2	9.2
NK Props		75	—	98	75	3.01	12.3	-
SASOL	♥	635	-12	780	475	3,718	1.8	-
SA Brews		£17¼	-1⅛	£20½	£17¼	5,080	2.1	♦
Standard Bank		£24⅛	-⅞	£32.7	£20⅞	2,393	1.6	20.3
Tiger Oats	†	770	-80	1270	770	1,159	2.1	15.5
Tongaat-Hulett		805	-5	1247	785	784.9	2.3	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ♧ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed Companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996 97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 falls to 1996 low as Wall St drops

By Steve Thompson,
UK Stock Market Editor

The FT-SE 100 index fell to its lowest closing level this year, and the FT-SE Mid 250 to a five-month low, as UK stocks absorbed the impact of Monday's near 3 per cent slide by the Dow Jones Industrial Average.

Sentiment in UK stocks was further damaged by the wild gyrations on Wall Street. The Dow kicked off the day in good form and posted a 40-point rise shortly after the start of trading, before coming under intense pressure and falling sharply to show more than a 100-point turnaround after London closed.

The back-to-back three-figure falls on Wall Street occurred 90 minutes after trading in London finished, *prompting* intense worries in Europe that a much bigger correction in the US, and across other markets, could happen.

At the close of a tense and nervous trading session in London, the FT-SE 100 index was nursing a 66.0 decline at 3,632.3, a fall of 1.8 per cent. The FT-SE Mid 250 was even more roughly handled, finally settling a steep 90.6 down at 4,201.0, or 2.1 per cent lower on the session. The broad FT-SE Actuaries All-Share index fell 1.9 per cent to 1,808.18, *its lowest since March.*

The Footsie has now fallen 133.5 points, or 3.5 per cent, since Wall Street began to slide last week.

Senior traders were divided as to the chances of UK stocks staging any sort of short term recovery.

The head of marketmaking at one big European broking firm said he expected London to stabilise and possibly rally *if Wall Street managed* to finish with something of a reasonable close. "Wall Street is now not far off achieving a 10 per cent correction, which one would imagine is enough for the time being," he said.

Another said he felt the extreme volatility of US markets would trigger widespread selling by overseas holders of US stocks, producing a domino effect across global markets. On the other hand, some said the UK market could be wrong-footed by surprise takeover bids.

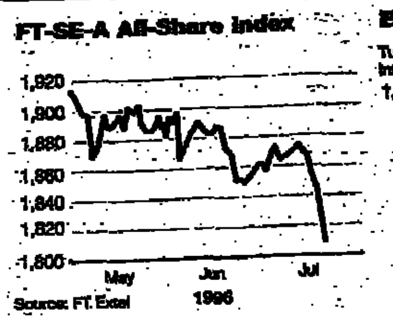
Activity was further complicated by a series of economic news items, from both sides of the Atlantic. In the UK, news of a higher than *expected public sector borrowing* requirement for June unnerved gilts. The 10-year gilt fell almost half a point before rallying.

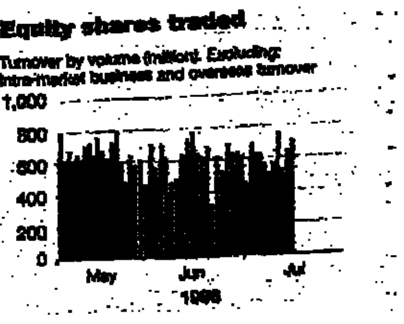
And Mr Eddie George, governor of the Bank of England, caused unease with his evidence to the Commons Treasury committee. He said the latest cut in interest rates could make it marginally more likely that the government's inflation target could be missed.

Over in the US, there was some comfort for bonds with better than expected inflation data and reassuring industrial production figures.

The Footsie coped well with the Dow's 161-point fall on Monday – its fourth biggest of all time – opening *just over 50 points lower as market*makers took evasive action and chopped quotations to head off any attempted selling. Light selling ensued, however, and saw market-makers indulging in the usual game of "pass the parcel", selling on the stock to other dealers.

Turnover at 6pm was 780.4m shares. Customer business on Monday was valued at £1.28bn.





Indices and ratios

FT-SE 100	3632.3	-66.0
FT-SE Mid 250	4201.0	-90.6
FT-SE-A 350	1825.5	-34.5
FT-SE-A All-Share	1808.18	-34.54
FT-SE-A All-Share yield	3.97	3.90
FT Ordinary index	2668.8	-54.3
FT-SE-A Non Fins p/e	16.34	16.65
FT-SE 100 Fut Jul	3631.0	-61.0
10 yr Gilt yield	7.95	7.93
Long gilt/equity yld ratio:	2.09	2.13

Best performing sectors

1 Tobacco .... +0.1
2 Transport .... -0.1
3 Water .... -0.4
4 *Life Assurance* .... -0.9
5 Paper: Pckg & Print .... -1.0

Worst performing sectors

1 Other Financial .... -3.1
2 Retailers: General .... -2.8
3 Media .... -2.5
4 Investment Trusts .... -2.5
5 Engineering : Vehicles .... -2.5

Bid hope boosts Blenheim

Exhibitions and conference organiser Blenheim leapt 15 to 438p as the stock market got wind that the long awaited bid is finally about to arrive.

It is believed that United News & Media, which bought stock back in May, is poised to make a formal offer – possibly as early as tomorrow. It is not clear what level the company *will pitch its bid, but it is* thought that Blenheim will accept nothing less than 500p a share. As the Blenheim directors and allies control 40 per cent, *any offer will have* to be agreed.

Takeover speculation has surrounded Blenheim since June when movements in the share price prompted the company to issue a statement that it had received an initial approach from an unnamed company. Some dealers suggested that yesterday's move could prompt a stock exchange inquiry to flush out the interested party.

United fell 27 to 629p and Reed International, which has also been considered a suitor, dropped 22 to 1073p.

BAA bucks trend

UK airports operator BAA was one of the few specs of blue on the Seaq trading screens throughout the day as an otherwise dull market celebrated news of a better than expected proposed pricing formula for the group.

BAA shares moved strongly ahead by 15 to 493p, making it the best performing stock of the day in the premier FT-SE 100 index, as turnover jumped to 13m, its highest daily total for nearly five years.

One analyst said: "This is the best that shareholders could have hoped for, and frankly there is great relief in the market that it was not worse. The meeting with analysts was also confident, which was encouraging."

But it was not all good news for BAA and several analysts pointed to the likely revenue shortfall for the company when *inter EU* duty free ends in 1999.

Mr Mike Stoddart at Charterhouse Tilney said: "Compared with indications given five years ago by the CAA, this *(formula) cuts BAA's revenue* by £7m, rising to £38m over the life of the review. Thus I do not see this as being a particularly great day for BAA."

P&O pleases

Transport and property group P&O was once again in the spotlight after the UK government said it had decided to end restrictions on cross-Channel ferry operators' alliances.

The move, which was not expected until tomorrow at the earliest, was cheered by market specialists and shares in the group put on another 8 to 500p, in trade of 2.7m.

While the government said curbs should be lifted on fares and service pooling, it rejected the formation of alliances, a move analysts had suggested P&O would be considering.

However, one analyst said:: "P&O should still be able to carry out a rationalisation of its ferry operations in the new improved climate."

Sentiment in the stock continued to be boosted by continued hopes that the company will soon announce disposals, and a positive UBS note on demerger prospects which was published earlier this week.

Pressure on equities in New York and London added to investor concerns over British Energy.

The latter's newly floated partly-paid shares fell 3 to 91p in spite of the stabilisation efforts of BZW. But some analysts said the stock, for which institutions paid 105p per share and small investors 100p, should find support near these levels if markets recover, because of the attractive yield.

Concerns are concentrated *on a possible fall in the pool* price of wholesale electricity, and were compounded last week when the company said it was temporarily shutting *down two of its eight nuclear* reactors after faults were discovered. Both output and power prices are crucial for British Energy's profitability.

Rank was one of the few stocks to buck the market trend, firming 2 to 465p. Monday's close of 463p was the lowest point since February. One analyst said some investors might be "fishing around for near term value". There was also talk of a presentation to analysts and institutions.

The rout continued among biotechnology stocks as British Biotech slid further below the level at which it pitched its rights issue. The shares were off £1 at one stage but rallied to close 10 down at 2030p. That compares to a rights price of 2050p. Celltech fell 36 to 509p *and Scotia 44 to 671p.*

Courtaulds, the chemicals group, fell 13 to 422p after a somewhat disappointing trading statement that prompted a *forecast downgrade by HSBC* James Capel. Sir Christopher Hogg, Courtaulds' chairman, said trading was mostly in line or ahead of last year but profits in the first quarter were below previous levels.

Severn Trent rose 5 to 530p against the trend as vague takeover speculation returned to the sector.

Encouraging new business figures from Prudential saw the life insurer rise 2 before being dragged back with the market to end 2 off at 413p.

The Pru said single premiums grew 36 per cent in the first six months of 1996 to £3.33bn and annual premiums were up 18 per cent to £290m.

Charterhouse Tilney said it would maintain its buy stance as the figures showed an *encouraging underlying trend.*

Standard Chartered improved 5 to 645p. The weight of a block of 1.1m shares overhanging the market was removed after it went through the market at 630p a share.

Aerospace and engineering group Hunting tumbled 34 to 143p after it surprised the market with a profits warning.

The group said it expected to make a "substantial loss" in the first half of the year after provisions and write-offs.

Volume in vehicle components group Kwik-Fit rose to 3.8m following a cross of 1m that was done at 225p a share. Shares in the group firmed a penny to 227p.

The stores sector was among the worst affected by the general market retreat, with traders selling a number of stocks which were at a premium rating to the market or which had outperformed recently.

There was profit-taking in Next, which fell 33 to 507p, and Argos, 24 cheaper at 679p.

Boots fell 17 to 555p, despite continuing speculation that retail price maintenance on drugs might be abolished.

Tate & Lyle, with substantial US corn interests, fell 10 to *452p on reports from CPC* International, the US food company, that troubles in its corn refining business would hit third-quarter results.

Paper and packaging group David S Smith lifted 4 to 295p ahead of preliminary figures expected today.

Lasmo held steady, with a fall of only a penny to 172p after NatWest Securities reiterated its positive stance on the oil company.

The broker believes Lasmo is the only stock in the sector that trades at a serious discount to asset value.

BAT Industries moved up a penny to 485p on further enthusiasm for the restructuring of its financial services arm.

MARKET REPORTERS:
Peter John, Joel Kibazo, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Jul 16	Jul 15	Jul 12	Jul 11	Jul 10	Yr ago	*High	*Low
Ordinary Share	2668.8	2723.1	2743.2	2760.8	2768.2	2552.0	2885.2	2668.8
Ord. div. yield	4.17	4.10	4.03	4.03	4.02	4.16	4.12	3.76
P/E ratio net	15.80	16.09	16.38	16.38	16.40	16.01	17.25	15.80
P/E ratio nil	15.71	16.00	16.29	16.29	16.30	15.76	17.08	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2685.2	2676.4	2682.6	2671.8	2666.9	2665.5	2674.2	2674.9	2666.6	2690.4	2657.0

	Jul 16	Jul 15	Jul 12	Jul 11	Jul 10	Yr ago
SEAQ bargains	34,625	30,393	28,200	28,192	28,145	24,526
Equity turnover (£m)†	-	1284.7	1785.2	1703.4	2042.8	1669.5
Equity bargains†	-	37,025	33,254	33,115	32,971	38,757
Shares traded (ml)†	-	547.7	613.4	537.5	756.7	588.3

†Excluding intra-market business and overseas turnover.

	Jul 16	Jul 15	Jul 12	Jul 11	Jul 10	Yr ago	*High	*Low
FT-SE AIM	1029.60	1050.50	1062.10	1073.10	1075.10	-	1140.40	985.70

*For 1996.

■ **London market data**

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	77	Total Highs	8	Total contracts	68,647
Total Falls	2002	Total Lows	277	Calls	31,887
Same	637			Puts	36,760

July 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3645.0	3631.0	-61.0	3652.0	3605.0	27056	59654
Dec	3652.0	3651.0	-61.5	3652.0	3652.0	60	1746
Mar		3663.5	-61.5			0	100

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4200.0	-84.0			0	3491

■ FT-SE 100 INDEX OPTION (LIFFE) (*3631) £10 per full index point

	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P
Jul	181½	1	131½	1½	84	4	42½	11½	13	32½	2	71½	1	121	1	171
Aug	183½	11	141½	18½	103½	30½	78½	46	43	69	23½	100	12	137	5	180½
Sep	201½	24½	163	36	126	48	96	66½	69	88½	46	115½	30	149½	17½	188
Oct	219½	39½	182½	50½	148	65	117½	83½	90	106	67	132½	48	164	32½	199
Dec†			221	75			157½	111			108	150			68½	221

Calls 11,440 Puts 18,259

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P
Jul	156	1	107½	1½	61½	5½	24½	18½	5	49	1	94	1	144	1	194
Aug	164	16	123½	25	87½	39	58	59	35	85½	18½	119	9	159½	3½	203½
Sep	180	25½	142	37	107½	52½	78	72	53½	97	33½	126½	20	162½	10½	202½
Dec			204	81½			144½	119½			98	168			57½	227½
Mar†			250	117			192½	155½			142½	201½			101	256

Calls 4,237 Puts 6,363 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	13.3	136	132	AFA Systems	133	-3	-	-	-	-
*	F.P.	861.5	£20	£18[illegible]	Alumax	£19[illegible]	-[illegible]	-	-	-	-
§125	F.P.	39.4	130	125	†BATM Adv Comms	127	-1	-	-	-	-
§160	F.P.	38.7	202	191	Belhaven Brewery	197	-4	-	-	-	-
100	P.P.	1,323	95	89	British Energy	91	-3	F13.7	-	9.1	-
34	F.P.	577.2	92	92	Central Motor	92		-	-	-	-
§170	F.P.	18.8	185	173	†Circle Comms	173	-7	-	-	-	-
§122	F.P.	22.3	140	133	†Cirqual	135	-5	-	-	-	-
*	F.P.	8.94	19	15	Concurrent Techn	19		-	-	-	-
§3	F.P.	3.07	4	4	†Dringa of Bath	4		-	-	-	-
§145	F.P.	31.1	153	148	†Elec Retail Sys	148		-	-	-	-
§	F.P.	2.26	43	41	†Feyrewood	43		-	-	-	-
-	F.P.	19.8	98	65	†Independent Br H	78xd		-	-	-	-
§3	F.P.	6.92	4	4	†Lotteryking	4		-	-	-	-
§	F.P.	0.26	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	1.32	18	18	NECA	18		-	-	-	-
172	F.P.	379.5	227	172	Pace Micro Techn	177	-9	R2.4	2.4	1.7	29.3
§3	F.P.	8.19	4	3½	†Pordum Foods	3¾	-¼	-	-	-	-
-	F.P.	0.39	2	1½	†Pordum Foods Wts	1¾	-¼	-	-	-	-
-	F.P.	1,244	243	216	Sun Life & Prov	221	+2	-	-	-	-
95	F.P.	31.8	123	98	Vocalis Group	99	-5	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jul 15	% chg on day	Jul 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	2021.18	-1.4	2049.88	2049.34	1.51	-	2620.73	1722.83
■ Regional indices								
Africa (13)	2799.03	-1.8	2850.28	2701.13	2.55	38.82	3553.86	2272.74
Australasia (7)	2208.37	-1.8	2249.41	2570.64	2.74	20.56	2927.34	2142.76
North America (12)	1775.71	-1.1	1798.10	1787.32	0.78	63.16	2188.39	1489.94

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FT - SE Actuaries Share Indices — The UK Series

	Jul 16	Day's chge%	Jul 15	Jul 12	Jul 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3632.3	-1.8	3698.3	3728.3	3749.0	3420.7	4.18	2.13	14.02	103.26	1492.43
FT-SE Mid 250	4201.0	-2.1	4291.6	4316.5	4343.8	3769.2	3.55	1.73	20.41	116.03	1696.31
FT-SE Mid 250 ex Inv Trusts	4237.1	-2.1	4327.1	4352.4	4380.2	3778.3	3.64	1.77	19.41	122.31	1714.10
FT-SE-A 350	1825.5	-1.9	1860.0	1874.2	1884.9	1701.3	4.04	2.05	15.08	51.58	1533.42
FT-SE-A 350 Higher Yield	1754.5	-1.6	1782.3	1797.8	1806.8	1695.1	5.40	1.91	12.13	65.10	1236.09
FT-SE-A 350 Lower Yield	1903.5	-2.1	1944.8	1957.7	1970.1	1710.7	2.80	2.31	19.32	38.46	1321.30
FT-SE SmallCap	2091.76	-2.1	2136.30	2147.77	2160.19	1893.24	3.13	1.72	23.20	39.58	1722.55
FT-SE SmallCap ex Inv Trusts	2092.57	-2.0	2135.30	2147.34	2159.76	1866.27	3.33	1.81	20.73	41.85	1734.47
FT-SE-A ALL-SHARE	1808.18	-1.9	1842.72	1856.40	1867.02	1681.08	3.97	2.03	15.48	49.76	1542.23

■ **FT-SE Actuaries All-Share**

	Jul 16	Day's chge%	Jul 15	Jul 12	Jul 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3460.61	-1.6	3516.43	3545.79	3557.67	2878.11	3.87	1.83	17.65	79.25	1491.03
12 *Extractive Industries(6)*	3988.99	-1.0	4029.16	4086.57	4184.35	4048.11	4.02	2.52	12.34	109.19	1173.63
15 Oil, Integrated(3)	3562.81	-1.7	3626.15	3654.20	3653.42	2851.55	4.02	1.72	18.06	81.84	1574.38
16 Oil Exploration & Prod(15)	2416.46	-1.0	2441.39	2451.87	2459.65	1995.21	2.18	1.58	36.39	34.94	1456.41
20 GEN INDUSTRIALS(276)	1954.31	-1.9	1992.82	2011.03	2024.90	1981.58	4.41	1.86	15.05	51.06	1075.41
21 Building & Construction(34)	1133.44	-2.3	1160.21	1167.32	1174.74	981.14	3.65	1.67	20.50	21.93	951.63
22 Building Matls & Merchs(28)	1818.22	-1.7	1850.05	1875.81	1868.22	1810.87	4.21	1.72	17.22	47.17	924.92
23 Chemicals(25)	2392.67	-1.9	2438.44	2439.61	2456.05	2441.77	4.17	1.96	15.31	61.39	1141.73
24 Diversified Industrials(19)	1471.82	-2.3	1506.79	1528.38	1534.62	1857.16	7.07	1.69	10.44	56.29	830.89
25 Electronic & Elect Equip(37)	2217.74	-2.1	2266.45	2310.59	2342.35	1996.39	3.50	1.61	22.13	55.66	1165.41
26 Engineering(71)	2380.24	-1.7	2421.72	2431.41	2447.25	2064.76	3.35	2.45	15.23	48.78	1453.70
27 Engineering, Vehicles(14)	2941.72	-2.5	3015.99	3042.21	3049.16	2390.77	3.57	1.98	17.70	54.61	1528.21
28 Paper, Pckg & Printing(28)	2559.81	-1.0	2584.51	2601.02	2619.54	3134.82	4.00	1.99	15.69	59.07	1073.23
29 *Textiles & Apparel(19)*	1309.92	-1.8	1333.69	1334.61	1349.41	1651.15	5.40	1.59	14.59	42.36	808.74
30 CONSUMER GOODS(82)	3471.78	-1.7	3530.90	3543.69	3577.31	3243.56	4.03	1.87	16.55	81.64	1289.59
32 Alcoholic Beverages(9)	2673.22	-2.2	2733.45	2752.64	2754.04	2763.53	4.89	1.63	16.38	71.90	970.36
33 Food Producers(24)	2463.46	-1.4	2498.16	2500.18	2506.24	2525.47	4.22	1.85	15.98	86.20	1121.72
34 Household Goods(15)	2530.67	-1.9	2578.98	2599.56	2616.67	2712.51	3.93	2.14	14.85	58.43	971.10
36 Health Care(20)	2033.39	-1.7	2069.16	2076.80	2098.30	1843.14	2.68	2.15	21.68	35.56	1242.53
37 Pharmaceuticals(13)	5026.84	-2.0	5128.65	5164.00	5243.93	4183.73	3.36	1.86	19.97	91.18	1710.73
38 Tobacco(1)	4104.14	+0.1	4099.91	4049.08	4095.67	4133.79	6.19	2.12	9.52	156.18	1030.93
40 SERVICES(253)	2430.85	-2.1	2482.65	2499.61	2517.74	2109.36	2.95	1.97	21.46	52.85	1272.93
41 Distributors(31)	2773.83	-2.2	2836.97	2836.90	2845.37	2583.00	3.13	1.70	23.45	51.03	1028.20
42 Leisure & Hotels(24)	3025.03	-1.8	3081.01	3106.15	3135.07	2895.84	2.92	1.89	22.60	152.38	1634.45
43 Media(46)	4020.53	-2.5	4124.69	4167.28	4199.84	3172.82	2.28	1.88	29.32	54.14	1458.75
44 Retailers, Food(14)	1927.59	-1.2	1950.59	1970.19	1993.73	2151.84	3.98	2.32	13.57	48.71	1237.04
45 Retailers, General(43)	2009.04	-2.8	2067.63	2081.32	2092.85	1706.80	3.14	2.12	18.76	45.51	1158.13
47 Breweries, Pubs & Rest.(24)	3082.91	-1.6	3132.61	3140.44	3167.91	2561.67	3.33	1.95	19.32	52.87	1487.47
48 Support Services(49)	2346.35	-3.1	2422.29	2427.75	2445.63	1674.57	1.98	2.25	28.08	32.78	1497.86
49 Transport(22)	2329.86	-0.1	2333.15	2345.43	2350.80	2320.03	3.49	1.49	24.02	55.92	979.48
60 UTILITIES(33)	2204.97	-1.7	2243.50	2283.71	2282.88	2468.06	5.80	2.01	10.71	129.10	969.27
62 Electricity(11)	2318.11	-1.7	2357.75	2554.47	2552.64	2438.11	7.00	2.49	7.17	404.44	1242.53
64 Gas Distribution(2)	1241.23	-2.1	1268.42	1268.67	1259.19	1932.91	9.65	1.38	9.54	66.67	651.03
66 Telecommunications(8)	1868.00	-2.1	1907.64	1900.79	1897.71	2132.83	4.33	1.79	16.14	12.56	850.75
68 Water(12)	2108.28	-0.4	2116.41	2118.18	2135.97	2013.43	6.27	2.33	8.54	88.50	1188.99
69 NON-FINANCIALS(668)	1920.22	-1.9	1956.56	1972.86	1985.00	1807.34	3.99	1.92	16.34	53.72	1470.65
70 FINANCIALS(105)	2830.49	-1.8	2882.84	2893.07	2903.91	2463.16	4.26	2.83	11.16	79.12	1228.53
71 Banks, Retail(8)	3963.76	-2.1	4047.80	4058.05	4066.07	3315.28	3.93	2.88	11.01	110.04	1305.34
72 Banks, Merchant(6)	3455.85	-1.7	3516.52	3553.45	3582.90	3618.82	2.86	2.50	17.46	63.39	1102.90
73 Insurance(23)	1374.48	-1.1	1389.43	1406.05	1414.37	1306.96	6.02	3.17	6.55	46.33	1042.27
74 Life Assurance(6)	3354.44	-0.9	3386.37	3388.55	3383.96	2732.08	4.46	2.24	12.54	100.72	1406.20
77 Other Financial(21)	2474.24	-3.1	2553.89	2586.56	2594.39	2124.70	4.24	1.81	16.32	62.05	1420.45
79 Property(41)	1492.17	-1.2	1510.58	1513.95	1522.56	1476.54	4.27	1.26	23.14	38.03	926.73
80 INVESTMENT TRUSTS(126)	3007.63	-2.5	3085.39	3103.18	3119.79	2689.61	2.34	1.11	48.11	43.60	1055.28
89 FT-SE-A ALL-SHARE(899)	1808.18	-1.9	1842.72	1856.40	1867.02	1681.08	3.97	2.03	15.48	49.76	1542.23
FT-SE-A Fledgling	1200.53	-2.2	1227.32	1231.07	1236.32	1021.02	2.90	2.47	17.47	18.81	1259.95
FT-SE-A Fledgling ex Inv Trusts	1214.72	-2.1	1241.19	1244.50	1249.46	1011.83	3.11	2.67	15.04	20.67	1275.61

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3648.2	3634.2	3645.7	3631.9	3626.3	3625.8	3638.0	3641.5	3631.6	3653.0	3612.8
FT-SE Mid 250	4226.0	4217.8	4213.0	4209.5	4201.0	4192.5	4196.6	4201.5	4201.2	4226.0	4191.6
FT-SE-A 350	1834.1	1827.8	1831.9	1826.2	1823.1	1822.1	1827.3	1829.1	1825.2	1835.8	1818.9

Time of FT-SE 100 Day's high: 8:44 AM Day's low: 12:36 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 2954.2 (23/01/96).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1134.6	1132.1	1130.9	1129.5	1127.1	1123.9	1125.6	1130.0	1128.9	1128.9	1153.9	-25.0
Pharmaceuticls	4979.7	4962.0	4972.6	4961.3	4958.5	4965.3	4995.1	4997.2	4965.7	4963.0	5062.8	-99.8
Water	2085.2	2083.9	2094.9	2096.6	2085.3	2083.3	2090.8	2092.9	2094.8	2094.4	2102.9	-8.5
Banks, Retail	4037.7	4021.7	4039.8	4010.4	4006.5	4015.1	4022.8	4027.8	4009.7	4014.4	4099.5	-85.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	1,600	418	-14
ASDA Group†	9,100	118	-2
Abbey National†	2,700	581	-14
Albert Fisher	2,200	44¼	+¼
Allied Domecq†	1,900	422	-8
Anglian Water	584	533	+1
Argos†	604	679	-24
Arjo Wiggins	501	177	-1
Assoc. Brit. Foods†	758	400	-2
Assoc. Brit. Ports	393	264	-8
BAA†	14,000	493	+15
BAT Inds.†	6,400	485	+1
BBA	2,600	298	-5
BICC	809	313	-2
BOC†	781	927	-13
BP†	8,500	585	-8
BPB Inds.	1,900	340	-8
BSkyB†	2,300	404	-12
BT†	11,000	362½	-2
BTR†	9,700	232	-3½
Bank of Scotland†	4,200	234½	-7
Barclays†	3,400	782	-11
Bass†	1,900	804	-9
Blue Circle†	2,000	353½	-6½
Booker	1,800	385	-5
Boots†	1,500	555	-17
Britannic	60	753	-16
Brit. Aerospace†	805	937	-9
British Airways†	3,600	512	-12
British Biotech	388	2030	-10
British Gas†	22,800	185	-4
British Land	280	419	-4
British Steel†	2,700	164	-2
Bunzl	152	223	-4½
Burmah Castrol†	1,100	1008	-8
Burton†	5,700	147½	-3½
Cable & Wire†	6,900	399	-13
Cadbury Schweppes†	1,400	493	-8
Caradon	1,100	202	-5
Carlton Comms.†	2,800	468	-10
Chubb	614	328	-4
Coats Viyella	1,200	168	-2
Comm. Union†	1,700	561	-3
Compass	550	558	-21
Cookson†	4,000	250	-8
Courtaulds†	1,300	422	-13
Dalgety	153	340	-4
De La Rue	238	604	-8
Dixons†	2,300	518	-21
East Midland Elect.	503	653	-13
Electrocomps.	2,900	380	-11
Eng China Clays	182	254	-7
Enterprise Oil†	1,100	469	-6
Eurotunnel Units	491	107	-½
FKI	1,200	170	-7½
Foreign & Col. I.T.	1,800	151	-4
Gen. Accident†	344	622	-1
General Elect.†	5,700	357½	-7½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 16 / Sch)

BELGIUM/LUXEMBOURG (Jul 16 / Frs.)

CZECH REP (Jul 16 / Koruna)

DENMARK (Jul 16 / Kr)

FINLAND (Jul 16 / Mkk)

FRANCE (Jul 16 / Frs.)

GERMANY (Jul 16 / Dm.)

GREECE (Jul 16 / Drachma)

ITALY (Jul 16 / Lira)

NETHERLANDS (Jul 16 / Fls.)

NORWAY (Jul 16 / Kroner)

POLAND (Jul 16 / Zloty)

PORTUGAL (Jul 16 / Escudo)

SPAIN (Jul 16 / Pts.)

SWEDEN (Jul 16 / Kronor)

SWITZERLAND (Jul 16 / Frs.)

TURKEY (Jul 16 / Tk Lira)

PACIFIC

JAPAN (Jul 16 / Yen)

AUSTRALIA (Jul 16 / Aust$)

HONG KONG (Jul 16 / H.K.$)

INDONESIA (Jul 16 / Rupiah)

MALAYSIA (Jul 16 / MYR)

NEW ZEALAND (Jul 16 / NZ $)

SINGAPORE (Jul 16 / S$)

SOUTH KOREA (Jul 16 / Won)

TAIWAN (Jul 16 / TW $)

THAILAND (Jul 16 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jul 16 / Can $)

4 pm close

Sales		+/-	High	Low

MONTREAL (Jul 16 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jul 16 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jul 16	Jul 15	Jul 12	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16713.00	17386.96	19881.95	20/5	15828.81	19/3
Australia							
All Ordinaries(1/1/80)	2100.6	2147.1	2158.5	2328.80	28/4	2100.60	16/7
All Mining(1/1/80)	934.9	961.9	971.9	1118.40	8/5	934.90	16/7
Austria							
Credit Aktien(30/12/84)	354.76	362.72	364.92	394.69	31/5	352.78	2/1
Traded Index(2/1/91)	1031.00	1049.89	1056.85	1142.51	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1667.77	1694.13	1701.12	1773.26	28/5	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	64929.0	66522.0	66522.00	12/7	49801.09	2/1
Canada							
Metals Minls♦(1975)	(u)	4956.86	5080.05	5924.60	8/5	4887.47	16/1
Composite♦(1975)	(u)	4955.30	5041.50	5245.40	31/5	4739.78	15/1
Portfolio§§(4/1/83)	(u)	2444.05	2498.19	2565.55	27/5	2327.38	12/1
Chile							
IGPA Gen(31/12/80)	(u)	5625.08	5855.00	6094.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	407.19	413.13	412.28	415.19	4/7	368.40	2/1
Finland							
HEX General(28/12/90)	1976.18	2012.60	2019.12	2070.42	31/5	1851.67	10/1
France							
SBF 250(31/12/90)	1363.19	1391.04	1403.78	1457.58	6/6	1250.16	2/1
CAC 40(31/12/87)	1988.51	2029.61	2050.55	2146.79	30/4	1887.85	11/1
Germany							
FAZ Aktien(31/12/58)	877.28	899.34	899.40	911.74	5/7	818.56	2/1
Commerzbank(1/12/53)	2535.80	2598.60	2594.30	2827.60	5/7	2370.20	2/1
DAX(30/12/87)	2469.79	2550.53	2544.26	2583.49	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	902.36	905.93	910.19	1017.96	4/3	891.83	24/6
Hong Kong							
Hang Seng(31/7/64)	10827.96	10800.13	10602.68	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3644.93	3712.37	3861.56	4069.26	18/6	2828.66	25/1
Indonesia							
Jakarta Comp.(10/8/82)	573.32	578.01	579.94	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2404.60	2483.33	2488.85	2585.19	18/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	610.90	629.61	644.78	674.16	20/5	572.21	27/3
MIB General(2/1/96)	1038.0	1068.0	1093.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21406.35	21733.42	21856.45	22666.80	28/6	19734.70	13/3
Nikkei 300(1/10/82)	300.72	304.41	304.80	319.79	26/6	284.48	11/3
Topix(4/1/68)	1626.11	1644.47	1647.25	1722.13	28/6	1534.12	13/3
2nd Section(4/1/68)	2207.32	2226.69	2236.18	2261.48	2/7	1962.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1123.77	1134.41	1138.17	1180.54	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(u)	2915.55	3009.98	3392.88	22/5	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	809.0	823.5	830.8	852.60	12/6	839.50	2/1
CBS All Shr(End 83)	361.2	369.9	374.2	387.10	12/6	328.78	2/1
New Zealand							
Cap. 40(1/7/86)	2061.27	2090.02	2099.53	2203.88	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1368.38	1419.50	1422.73	1489.71	12/6	1259.68	30/1
Philippines							
Manila Comp(2/1/85)	3199.32	3346.31	3213.10	3374.40	5/7	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1913.85	1924.12	1930.83	1989.29	3/7	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	548.10	549.53	548.58	618.37	5/2	548.10	16/7
South Africa							
JSE Gold(28/9/78)	1844.3♥	1887.5	1870.2	2839.40	29/5	1348.40	2/1
JSE Ind.(28/9/78)	7788.0♥	8014.2	8069.9	8739.30	25/1	7723.20	20/6
South Korea							
KoreaCompEx**(4/1/80)	812.86	814.11	839.82	986.84	7/5	812.86	16/7
Spain							
Madrid SE(30/12/85)	352.69	358.28	363.41	335.25	1/7	323.75	11/1
Sweden							
AffarsvaldnGen(1/2/37)	1903.3	1937.7	1938.1	2019.09	8/6	1706.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1749.38	1787.19	1800.99	1811.86	11/7	1518.19	17/1
SBC General(1/4/87)	1240.47	1267.02	1276.28	1284.98	11/7	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	5955.50	6062.52	6228.28	6566.41	29/6	4690.22	8/2
Thailand							
Bangkok SET(30/4/75)	1181.05	1187.84	1205.94	1415.84	6/2	1181.05	16/7
Turkey							
Istanbul Cmp.(Jan 1986)	68404.2	69654.9	71195.0	73631.30	8/7	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	742.5*	748.8	753.9	768.20	1/7	723.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1624.77	1664.07	1676.53	1708.78	4/7	1594.40	11/1
Euro Top-100(26/6/90)	(u)	1406.14	1416.31	1458.28	28/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	370.38	372.20	383.18	16/4	344.19	2/1
ING Brngs Emrg(7/1/92)	158.16	160.77	161.76	165.91	4/7	147.36	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Jul	2000.0	1988.0	-44.0	2012.0	1980.0	32,687	31,080
Aug	2007.0	1983.5	-44.5	2008.5	1980.0	281	4,898
DAX							
Sep	2505.0	2490.0	-54.0	2519.5	2478.5	43,290	-
Dec	2523.0	2509.5	-54.0	2532.5	2498.0	326	-

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
OMX							
Jul	1465.00	1472.00	-25.00	1490.00	1460.50	4,891	12,678
Aug	1472.00	1476.75	-25.50	1481.25	1467.75	833	5,558
SOFFEX							
Jul	3710.0	3672.1	-87.9	3711.0	3645.0	14,079	26,007
Aug	3716.0	3680.0	-88.0	3718.0	3650.0	5,095	5,412

** Sat Jul 13: Taiwan Weighted Price 6116.88; Korea Comp Ex 833.31. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 16 - 2475.96 -53.62

US INDICES

Dow Jones	Jul 15	Jul 12	Jul 11	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5349.51	5510.56	5520.54	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.27	101.13	101.13	108.69 (14/2)	101.03 (9/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2014.53	2080.17	2075.89	2298.29 (22/5)	1882.71 (18/1)	2298.29 (22/5/96)	12.32 (8/7/32)
Utilities	215.55	217.86	215.08	234.00 (12/2)	205.42 (7/6)	258.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5527.98 (5562.65) Low 5328.98 (5455.18) (Theoretical⊕)
Day's high 5507.98 (5543.07) Low 5348.77 (5471.78) (Actual⊕)

Standard and Poors	Jul 15	Jul 12	Jul 11	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	629.80	646.19	645.67	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	745.65	766.56	766.81	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	63.55	64.73	64.33	68.58 (5/3)	58.67 (10/1)	68.58 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	338.57	346.84	346.84	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	533.43	549.77	549.09	614.99 (22/5)	529.05 (18/1)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1060.33	1103.49	1106.36	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Jul 12	Jul 5	Jun 28	Year ago
Dow Jones Ind. Div. Yield	2.26	2.22	2.19	2.36
	Jul 10	Jul 3	Jun 26	Year ago
S & P Ind. Div. yield	2.03	na	1.87	2.07
S & P Ind. P/E ratio	21.97	na	22.29	18.68

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tech	8,934,600	18	-2¼
Ford Motor	4,265,200	31⅛	+½
IBM	4,035,900	90⅞	-4
AT & T	3,995,000	58¾	-2¾
Coca Cola	3,928,400	45⅜	-1⅜
Motorola	3,861,300	53⅝	-2⅞
Hewlett-Packd	3,582,700	78⅛	-1⅛
Utd Health	3,444,000	32½	-½
Loral Space	3,172,300	12⅜	-⅜
Tele Bras	2,905,600	78⅛	-4⅛

TRADING ACTIVITY

● Volume (million)

	Jul 15	Jul 12	Jul 11
New York SE	410.611	386.718	516.484
Amex	22.755	18.335	26.809
NASDAQ	590.936	552.708	712.816
NYSE			
Issues Traded	3,168	3,138	3,180
Rises	408	1,200	520
Falls	2,141	1,154	2,005
Unchanged	618	784	655
New Highs	29	32	24
New Lows	146	75	133

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Sep	630.55	632.00	+1.75	633.00	632.00	87,175	179,189
Dec	635.00	638.80	+2.75	638.80	636.00	675	7,754

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Sep	21450.0	21470.0	-260.0	21510.0	21350.0	17,811	224,933
Dec	21470.0	21520.0	-130.0	21520.0	21410.0	2,385	7,450

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ⊕ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Tuesday, July 16, 1996

	Stocks Traded	Closing Prices	Change on day
Canon	6.1m	2010	-140
Hitachi	6.1m	984	-28
TYK Corp	5.6m	1070	+60
Sansui Electric	4.2m	290	+16
Toshiba Corp	3.9m	735	-16
NKK Corp	3.7m	300	-5
NEC Corp	3.7m	1140	-40
Kobe Steel	3.3m	280	-2
Nippon Stl Corp	3.3m	344	-2
JAL	3.0m	905	+12

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 16

1996 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	17¼	AAR	0.48	2.6	18	309	18½	d17¾	18⅜	-⅛
46⅛	36⅛	AMP	1.00	2.7	18	11183	37½	d36⅛	37	-¼
97½	68	AMR			19	12966	80	74⅞	78	-⅝
50½	37⅜	ASA	1.80	4.6	26	575	40⅛	38¾	39½	-½
44¾	39⅛	AbbtRL x	0.96	2.2	18	31066	43¼	42	43⅜	-⅛
17¼	12¼	AbitibiPr	0.40	3.1	6	1630	12¾	d12¼	12¾	-⅛
40⅛	27	ABM Ind	0.70	1.8	19	270	38½	37⅞	37⅞	-1⅝
18⅝	13⅞	Acptncsb			46	355	17⅞	17⅝	17¾	
50⅞	37¾	ACE Ltd	0.56	1.3	10	1690	42½	40⅞	41¾	-⅝
9⅞	9⅛	ACM Gvt In x	0.90	9.1	8	284	u9⅞	9¾	9⅞	+⅛
7⅞	6⅝	ACM GvOpp x	0.57	8.3		77	7	6⅞	6⅞	
7⅛	6	ACM Gvt Sp x	0.66	10.4		607	6⅜	6¼	6⅜	
9⅛	8¼	ACM Gvt Se x	0.80	10.6		497	8½	8⅜	8½	+⅛
9½	8⅜	ACM Msn x	0.90	10.7		397	8½	d8⅜	8⅜	-¼
30¾	16½	AcmeClv v	0.52	1.7	7	6	30	29⅞	29⅞	
13⅞	6⅛	Acme Elect			38	173	6⅞	6⅝	6⅞	
33¾	27¾	Acordia	0.80	2.5	18	11	32¼	32	32	-⅛
21⅞	12	Acuson			58	839	13⅜	12⅞	12⅞	-⅛
19½	17⅞	Adams Expr	0.48	2.6	0	443	18¼	d17⅞	18⅛	
21¼	10⅞	AdvMic			7	10094	12	d10⅞	11¾	-⅛
11⅛	8½	Advest Grp	0.16	1.6	7	243	9⅞	9⅝	9⅞	
28⅛	9⅛	Advo Inc	0.10	1.1	52	194	9⅞	9⅜	9½	+⅛
50⅞	41⅛	Aegon	1.19	2.6	14	103	46⅛	45⅝	46⅛	-⅜
6¾	3½	Aerflx			3	480	5⅛	4⅝	5⅛	+¼
78¾	55⅜	AetnaL	2.76	4.6	15	20075	61⅜	59⅜	60⅜	-½
33	26¼	AfBnc	0.40	1.4	12	2436	29⅛	28⅜	29	+½
20⅛	17⅛	AGL Res	1.06	5.9	15	478	18¼	17½	17⅞	-½
28	21¼	Ahmnsn	0.88	3.7	6	4613	24½	23⅜	24	-¼
60⅞	50⅛	AirPrC	1.10	2.0	14	2034	54½	53¾	54⅛	-⅜
28⅞	23	Airbrn Frt	0.30	1.3	21	1001	23⅝	d23	23½	-½
22½	15½	Airgas Inc			31	802	19¼	18⅞	19⅛	

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4 pm close July 16

NYSE PRICES

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1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
54¼	39¾	Xerox	1.16	2.4	37	14644	49	46¼	48⅜	+1⅜
47⅞	38¾	Xtra Corp	0.72	1.7	14	59	42⅞	42	42¼	-⅝
25¾	20⅜	Yankee Egy	1.30	5.9	12	25	22	21⅞	22	-⅛
53¾	43⅞	York Int	0.36	0.8	20	1173	46⅞	45¾	46¼	-⅛
3⅞	3	Zapata	0.14	4.0	9	640	3⅝	3½	3½	-⅛
25¾	5⅞	ZnthEl			4	6010	9½	8⅛	9¼	-⅛
28⅞	21⅛	Zenith Nat	1.00	3.7	38	81	26¾	26⅝	26¾	-⅛
7⅛	6½	Zenix Inc	0.72	10.5		172	7	6⅞	6⅞	-⅛
22⅞	15⅛	Zero	0.12	0.7	17	79	18⅝	18⅜	18⅜	-⅛
23¼	19⅜	Zurn Ind	0.40	2.1	14	691	19¾	d18⅝	19½	-⅛
11⅜	10½	Zweig Fund x	1.08	10.2		626	10¾	d10½	10⅝	
9	8¼	Zweig Totl x	0.84	10.2		315	8⅝	d8¼	8¼	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996.
Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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AMEX PRICES

4 pm close July 16

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NASDAQ NATIONAL MARKET

4 pm close July 16

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AMERICA

Volatile Dow tumbles 120 points by noon

Wall Street

The US equity market gave investors only the briefest hopes of staging a rebound yesterday before resuming the slide that has wiped out most of the gains made so far this year, *writes Lisa Bransten in New York.*

Blue chip shares in the Dow Jones Industrial Average opened stronger, climbing 45 points in the first hour of trading.

Just after 10 am, however, the market reversed course and by 1 pm the Dow was off 121.33 at 5,228.18.

Once again it was worries about profitability in the technology sector that worried the market. Several companies, including Cypress Semiconductor and CompuServe, the online service, put out warnings about weak profits, and Texas Instruments unveiled second-quarter results well below analysts' expectations.

Texas Instruments, which shed $3⅛ on Monday on earnings worries, lost another $¼, bringing shares to $41⅝. CompuServe lost $4⅝ or 30 per cent at $10⅝ and Cypress was $¾ or 7 per cent down at $9¾.

Such downbeat news sent the Nasdaq composite, which is about 40 per cent technology shares, down 49.95 to 1,010.24, more than wiping out all of the index's gains for this year, and taking the index to its lowest level since last October.

By midday, the Nasdaq had fallen by nearly 18 per cent from its high of 1,249.15 on June 5.

The more broadly based Standard & Poor's 500 was also below the level seen at the start of the year by midday yesterday.

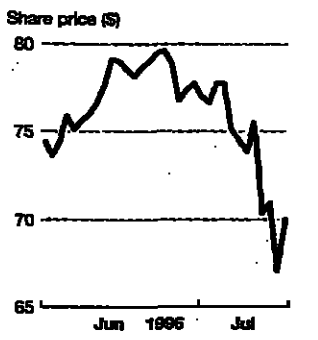
At 1 pm it was off 17.19 at 612.61, compared with 615.93 at the start of the year. The American Stock Exchange composite fell 15.62 to 517.81.

NYSE volume was heading for a record level for the year at 354m shares by 1pm.

The market paid little attention to the fact that some of the largest companies in the US reported relatively healthy earnings. Among companies in the Dow, Caterpillar, Eastman Kodak and General Motors all beat analysts earnings estimates. Still, Caterpillar lost $⅝ at $63, and GM fell $⅝ at $46⅝. Kodak managed to hang on to a gain of $1⅛ at $68¼, although its shares had been up more than $4 earlier in the session.

Philip Morris, which is also component of the Dow, fell $3 at $97⅝ after putting out earnings exactly in line with estimates.

Eastman Kodak



Source: FT Extel

Canada

Toronto's declines grew steeper in midsession trade in a broadly based move mirroring developments on Wall Street. The TSE 300 composite index was 42.42 lower by noon at 4,912.90 in volume of 31.7m shares.

Technology stocks were again hard hit in response to the disappointing second quarter earnings statements from their US counterparts. Newbridge Networks dropped C$4.65 to C$67.90.

Laidlaw, the waste and transport group, lost 55 cents to C$12 in further response to its disappointing results reported last week.

Nova, the energy group, added to Monday's fall with another of 10 cents to C$12.15.

Mexico City off 1.8%

The region's markets were following the direction of Wall Street. By midsession MEXICO CITY had fallen 50.42, or 1.8 per cent, to 2,865.13. Volume was moderate at 50m shares.

Among the market's blue chips, Telmex ADRs were down $⅛ to $28⅝ on Wall Street, while Televisa ADRs were off $1⅛ at $23⅛.

Another big loser was Desc, an industrial company, which fell $1⅛ to $18⅛.

SAO PAULO was sharply lower, with profit-taking seen in the recently strong Telebras.

The Bovespa index slid 3,320, or 5 per cent, to 61,009 in turnover of R$328m, of which some 75 per cent was accounted for by Telebras. On Monday, Telebras preferred dropped 4.9 per cent to R$79.10, while its voting common shares lost 5.2 per cent to R$64.40.

A senate panel was expected to vote last night on a bill regulating the opening of cellular phone and satellite services to private competition.

In BUENOS AIRES the Merval index had lost 17.7 or 3.2 per cent to 528.05.

South Africa down sharply

Johannesburg fell sharply across the board as the market took a beating from Monday's drop on Wall Street.

The overall index finished 179.6 down at 6,628.4, while the industrials index dropped 226.2 to 7,788 and the golds index lost 23.3 at 1,844.3.

A London-based analyst pinned the loss to Monday's fall in equity prices in the US. Another source said the Johannesburg market had "crashed like a stone" following Wall Street. He added that the immediate reaction of market players had been "to run for cover".

De Beers retreated R5 to close at R141. Gencor, which announced after the close that it had boosted its stake in Ingwe Coal to 41.5 per cent, dipped 40 cents to R15.30 and Ingwe shed 60 cents to R29.30.

European high-techs pressured

Technology stocks felt the full force of the selling pressure across European markets yesterday as investors embarked on a virtually indiscriminate campaign to offload the sector.

SAP, the computer software company, was one of the worst Dax performers in Frankfurt, weakening DM14.50 to DM205.50, while Siemens fell DM1.70 to DM78.75.

Ericsson led a broad market fall in Stockholm, bottoming out 6.6 per cent lower before rebounding to close SKr6 down at SKr129.50. Nokia, the mobile telephone group, tumbled 5.6 per cent at the opening, but edged back up to finish FM5.40 off at FM154.50 in Helsinki. Philips plunged to a 12-month low in intra-day Amsterdam trading, before recouping some of the loss to finish 50 cents weaker at Fl 50. In Paris, Alcatel was FFr12.70 down at FFr407 and SGS-Thomson was FFr7 lower at FFr154.5. Olivetti, in Milan, dropped L52 to L812.

Small high-technology companies did not remain immune. Esec, the group whose shares were among the star performers in Zurich last year, fell SFr275 to SFr4,800.

EUROPE

Continental markets track US lower

Volatile movements in the US equity markets during the afternoon kept Continental markets under pressure.

PARIS wilted under the pressure and, although recovering from the intra-day low of 1,975.68, the CAC-40 index finished well under the 2,000 level, off 40.00 at 1,989.51. Turnover came to FFr7.2bn.

There was movement in Eurotunnel, down 20 centimes, or 2.2 per cent, at FFr8.75 on news that the UK government was to lift restrictions on allowing P&O to collaborate with competitors on the cross-Channel route.

Renault shed FFr8 to FFr120 on disappointing sales data.

Docks de France declined FFr9 to FFr1,218 as speculation continued about a possible counter-bid to Auchan's hostile offer.

Casino fell FFr5.10 to FFr199.80 on a report that it might combine with Tesco to engineer a rival offer.

FRANKFURT made a slight recovery in the late afternoon after the Dax index had closed earlier with a loss of 80.74, or 3.2 per cent, at 2,469.79, its lowest finishing level since early May.

The Ibis ended at 2,475.98. Turnover was DM11.2bn.

Bayer and BASF dropped a respective DM2.82 and DM2.50 to DM50.45 and DM41, while Daimler was down DM1.60 at DM78.45 and Volkswagen off DM16 at DM531.

AMSTERDAM was under pressure as the AEX index tumbled 10.97 to 528.27 in a hectic day's trading.

Among the main highlights, Royal Dutch dropped Fl 8.50 or 3.2 per cent to Fl 254.30 and Unilever Fl 6.50 to Fl 236.10.

Ahold, the international food retailer, fell Fl 3.70 to Fl 85.00 with US investors seen supporting the issue. On Tuesday the company said it had completed its global offering of 36m shares in the international and US markets.

ZURICH fell through support at around 3,680 during a session that was heavily influenced by derivatives linked transactions, and the SMI index, down more than 110 points at one stage, finished a net 77.3 off at 3,678.1.

Nestlé was SFr36 lower at SFr1,430 as its first-half sales failed to match many expectations. While analysts said that they planned to keep earlier forecasts for sales and profits for the full year, they questioned why sales volume in the first six months, excluding acquisitions and divestments, grew by only 3.6 per cent, compared with forecasts that had ranged as high as 5 per cent.

The Novartis partners fell in line with the market ahead of approval, expected today, from the European Commission for their merger plan. Ciba shed SFr31 to SFr1,493 and Sandoz was SFr37 lower at SFr1,394, although one analyst suggested that both could bounce higher if the conditions required by the commission for their union did not prove unduly onerous.

MILAN remained under pressure from concerns over the government's fragility, with only Mediaset, which made its debut on the bourse on Monday, bucking the downward trend.

The Comit index slid 18.91 to 610.90 but Mediaset jumped L265, or 3.6 per cent, to L7,581 on news that it would enter the Morgan Stanley Italy index on July 29.

BRUSSELS witnessed Electrabel, the electricity utility, bucking the negative trend, ending the day BFr10 higher at BFr6,790. Electrabel has the highest market capitalisation on the bourse.

The Bel-20 index closed 1.5 per cent lower at 1,667.77 on turnover of BFr3bn.

COPENHAGEN was pulled off its intra-day low in the final hour of trading.

The KFX index was finally 1.74 off at 115.55, after falling as low as 114.79, with turnover at DKr652m. TeleDanmark, the telecommunications operator, was the most heavily traded issue and ended down DKr1 at DKr282.

VIENNA hit its lowest level in six months, with the ATX index losing 18.89 to 1,031.00, up from a session's low of 1,025.52. Stahl fell Sch17.8, or 5.3 per cent, to 319.20.

WARSAW had closed before the central bank announced a cut in its Lombard and discount rates. The Wig index lost 297.4 to 13,096.9, and turnover fell 20.7 per cent.

ISTANBUL recouped some of its early loss on selective demand in the afternoon. The composite index was off 250.77 to 68,404.22, after losing 1 per cent in the morning. Turnover rose to TL4,950bn from Monday's TL4,400bn.

BUDAPEST fell for the sixth consecutive session as the BUX index shed 105.95 to 3,077.79.

Molmolb, the oil and gas company, slid 10 per cent to Ft1,470, while Richter, a drugs maker, lost Ft50 to Ft6,200.

Written and edited by Michael Morgan, John Pitt and John Dludlu

THE DAY'S CHANGES

	% Change
Budapest	-3.3
Milan	-3.0
Warsaw	-2.2
Frankfurt	-2.1
Zurich	-2.1
Paris	-2.0
Amsterdam	-2.0
Oslo	-2.0
Stockholm	-1.8
Vienna	-1.8
Helsinki	-1.7
Brussels	-1.5
Copenhagen	-1.5

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jul 16 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1629.94	1627.53	1625.49	1620.54	1619.46	1621.80	1624.37	1624.77
FT-SE Eurotrack 200	1672.13	1670.59	1666.50	1662.47	1660.75	1663.88	1665.79	1666.60

	Jul 15	Jul 12	Jul 11	Jul 10	Jul 9
FT-SE Eurotrack 100	1664.07	1675.53	1689.00	1699.63	1690.50
FT-SE Eurotrack 200	1708.17	1715.71	1730.09	1732.35	1731.79

Base value 1000 (26/10/90); High/day: 100 - 1630.08; 200 - 1672.24 Low/day: 100 - 1617.35 200 - 1658.31. † Partial.

ASIA PACIFIC

Tumbling Nikkei sees fourth largest daily loss of year

Tokyo

The Nikkei registered its fourth largest daily loss of the year in response to the overnight fall on Wall Street, *writes Emiko Terazono in Tokyo.*

The 225-issue average shed 347.07 to 21,406.35, after moving between 21,362.94 and 21,636.76. Monday's slide in high-technology stocks on Wall Street hit electricals and semiconductor issues.

Volume was 302m shares, against 234m. The Topix index of all first section stocks fell 18.36, or 1.1 per cent, to 1,626.11 and the Nikkei 300 lost 3.69 to 300.72. Declines led advances by 885 to 176, with 146 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.35 to 1,441.11.

Overseas institutions led the selling following heightened worries over US corporate earnings. Small-lot bargain hunting by domestic institutions helped recoup some of the earlier losses, but overall sentiment remained gloomy.

Traders said fluctuations on the Tokyo market would be led by Wall Street in the near term, although they hoped that 21,406, the closing figure for trading on March 29, the last day of fiscal 1995, would serve as a support.

High-technology shares were lower on selling by foreigners: Hitachi fell Y26 to Y984 as reports that it had suspended production at one of its semiconductor plants added to the pessimism. Canon lost Y140 to Y2,010, Toshiba fell Y16 to Y735 and Sony declined Y120 to Y6,990.

Cars were weaker, with Nissan Motor down Y9 to Y912.

Uncertainty over interest rates continued to weigh on banks: Dai-Ichi Kangyo Bank fell Y40 to Y1,820 and Sumitomo Bank declined Y30 to Y1,990.

Brokerage companies lost ground on earnings fears due to the recent decline in trading volumes on the Tokyo stock exchange. Nomura Securities fell Y20 to a new low for the year of Y1,960 and Nikko Securities Y100 to Y1,110.

On the positive side, Japan Airlines gained Y13 to Y905 on purchases by foreign brokers who were encouraged by the company's rationalisation efforts.

Speculative stocks rose: TYK, a firebrick manufacturer, gained Y60 to Y1,070 and Sansui Electric Y16 to Y290.

In Osaka, the OSE average fell 198.31 to 22,676.95 in volume of 20.6m shares. Nintendo, the video game player, ended Y260 off at Y7,370.

Roundup

US influences dominated regional markets.

SYDNEY tumbled to its lowest closing level in eight months. The All Ordinaries index, down by more than 2 per cent in the first 30 minutes, finished 46.5 weaker at 2,100.6 in turnover of A$967.9m. The decline was the heaviest one-day correction seen since March 11 this year.

Plutonic Resources fell 23 cents to A$5.53 and Newcrest Mining lost 19 cents to A$4.54.

BHP was down 48 cents to A$16.02, after an intra-day low of A$15.97.

The banking and finance index lost 1.3 per cent: Westpac fell 11 cents to A$5.27, Commonwealth Bank 8 cents to A$9.93 and National Australia 11 cents to A$11.27.

BANGKOK was also at an eight-month low, with the SET index falling 6.89 to 1,181.05 in turnover of Bt4.95bn.

In spite of the general gloom, banks were the main beneficiaries of bargain hunting by domestic investors. Bangkok Bank's local stock rose Bt2 to Bt228, in contrast to the foreign issue, which softened Bt2 to Bt336.

HONG KONG posted heavy losses, but closed off the session's low, with investors said to be fearing further heavy falls on Wall Street.

The Hang Seng index lost 172.15 at 10,627.98, having dipped to 10,564.33, in turnover up to HK$6.3bn from HK$3.3bn.

The property sector was hardest hit by selling, taking the Hang Seng Properties sub-index down 389 to 19,788. Sun Hung Kai Properties shed HK$2 to HK$72.25 and Henderson Land HK$1.50 to HK$55.25.

JAKARTA's JSX index fell 5.68 to 573.32 in volume of 99.6m shares worth Rp234.8bn. Domestics remained interested in property shares, such as Duta Anggada Realty, up Rp300 to Rp2,275, and Dharmala Intiland, which gained Rp75 to Rp2,175 on merger rumours.

COLOMBO was heavily sold in financials and diversified blue chips. The All Share Index receded 9.9 to 560.6 in turnover of SLRs8.1m. Foreigners were seen as buyers, however.

TAIPEI finished at its lowest point since the start of June. The weighted index declined 107.02 to 5,955.5.

There was some disappointing domestic economic news with the release of data showing that GDP had grown by 5.31 per cent in the first quarter, down from an official forecast of 5.8 per cent.

The electronics index fell 2.2 per cent, with Taiwan Semiconductor sliding T$3, or 5.66 per cent, to T$50, and United Microelectronics losing T$1.30, or 4.9 per cent, to T$34.70.

SEOUL edged down to another low for the year, and the composite index closed 1.45 off at 812.66 after rebounding from a low of 800.42.

New York's falls hurt some technology linked shares. Trigem Computer lost Won1,300 to Won30,500 and LG Information and Communication fell Won2,500 to Won100,000.

SINGAPORE was flat in the absence of any compelling reason to buy, and with foreign funds sidelined pending a better understanding on the effects of the technology sector's slowdown in the US.

The Straits Times Industrial index finished 1.35 softer at 2,179.45 in thin volume of 95.7m shares.

BOMBAY was led sharply lower by falls in cement and steel shares after rail freight charges were raised by 10 per cent. The BSE 30-share index lost 67.44 at 3,644.93, having initially risen to 3,746.58.

Reliance bucked the trend, rallying Rs7.5 to Rs203.75 on continued speculative buying.

KUALA LUMPUR ran into profit-taking in some of the market's recent winners and the composite index finished 10.64 down at 1,123.77.

WELLINGTON saw thin trading volume as the NZSE-40 Capital index surrendered 28.76 to 2,061.27.

MANILA's composite index retreated 48.99 to 3,199.32.

THE DAY'S CHANGES

	% Change
Sydney	-2.2
Taipei	-1.8
Manila	-1.8
Bombay	-1.8
Tokyo	-1.6
Hong Kong	-1.6
Wellington	-1.4
Karachi	-1.1
Kuala Lumpur	-1.0
Jakarta	-1.0
Bangkok	-0.6
Seoul	-0.2
Singapore	-0.1

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 15 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 12 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (79)	194.27	-0.9	185.74	135.48	153.36	162.57	-0.6	4.53	196.05	187.25	137.14	155.19	163.54	212.18	175.72	177.87
Austria (24)	179.89	0.0	172.00	125.45	142.01	141.98	-0.2	1.98	179.83	171.75	125.79	142.35	142.27	198.73	168.11	198.04
Belgium (27)	206.70	-0.1	197.63	144.15	163.17	159.45	-0.4	4.16	206.95	197.65	144.75	163.82	160.10	215.81	186.06	199.14
Brazil (28)	184.06	-3.0	175.98	128.36	145.30	340.86	-2.9	1.91	189.70	181.18	132.69	150.16	351.00	189.70	123.97	144.46
Canada (120)	156.47	-1.8	149.60	109.12	123.51	155.22	-1.8	2.31	159.35	152.19	111.46	126.14	158.06	165.12	134.14	149.77
Denmark (30)	306.41	0.6	292.97	213.69	241.88	243.98	0.5	1.88	304.49	290.81	212.99	241.03	242.89	309.01	276.89	283.05
Finland (23)	191.24	0.3	182.85	133.37	150.96	185.17	-0.6	2.70	190.72	182.15	133.40	150.97	186.24	276.11	171.73	262.36
France (96)	189.89	-0.8	181.56	132.43	149.90	153.26	-1.0	3.14	191.43	182.83	133.91	151.53	154.76	199.39	167.70	188.31
Germany (59)	171.72	0.5	164.18	119.75	135.55	135.55	0.2	1.83	170.91	163.23	119.55	135.29	135.29	174.39	155.66	163.65
Hong Kong (59)	420.09	-0.1	401.66	292.96	331.62	417.39	-0.1	3.42	420.52	401.63	294.15	332.87	417.85	451.19	348.81	380.98
Indonesia (27)	204.94	-0.1	195.94	142.92	161.78	292.87	-0.2	1.56	205.20	195.98	143.54	162.43	293.56	-	-	-
Ireland (16)	274.04	-1.3	262.01	191.11	216.32	242.37	-1.2	3.54	277.61	265.14	194.19	219.75	245.42	290.82	235.88	241.02
Italy (59)	76.90	-3.6	73.52	53.63	60.70	89.33	-3.3	2.49	79.80	76.22	55.82	63.17	91.34	84.53	67.22	77.79
Japan (481)	149.28	0.1	142.73	104.11	117.84	104.11	-0.1	0.73	149.05	142.36	104.26	117.99	104.26	184.68	137.75	161.72
Malaysia (107)	560.57	-0.3	535.97	390.93	442.51	538.01	-0.4	1.87	562.57	537.29	393.51	445.31	540.03	585.09	425.77	554.61
Mexico (18)	1110.35	-3.1	1061.62	774.33	876.50	9280.42	-3.0	1.43	1146.02	1094.53	801.63	907.16	9569.74	1325.65	791.89	1224.76
Netherland (19)	288.53	-0.9	275.86	201.21	227.76	224.50	-1.1	3.21	291.14	278.06	203.65	230.46	227.12	299.69	245.79	258.58
New Zealand (15)	80.02	-0.8	76.51	55.81	63.17	61.98	-0.5	4.38	80.65	77.03	56.42	63.84	62.28	84.71	75.84	84.71
Norway (35)	251.70	-0.4	240.66	175.53	198.69	222.10	-0.5	2.04	252.66	241.31	176.73	200.00	223.13	258.94	222.24	241.47
Philippines (22)	211.58	1.0	202.30	147.55	167.02	276.10	1.0	0.55	209.48	200.07	146.53	165.82	273.36	-	-	-
Singapore (44)	393.48	-0.9	376.21	274.40	310.61	257.21	-1.0	1.49	396.88	379.05	277.61	314.16	259.80	465.21	355.81	395.21
South Africa (44)	348.21	-0.4	332.93	242.84	274.88	337.35	0.0	2.15	349.50	333.80	244.47	276.66	337.26	437.76	342.04	344.80
Spain (37)	174.96	-1.1	167.28	122.02	138.12	169.50	-1.3	3.44	177.00	169.05	123.81	140.11	171.67	183.85	145.15	153.95
Sweden (48)	343.02	-0.3	327.97	239.21	270.78	342.08	0.1	2.49	344.14	328.68	240.73	272.42	341.72	380.77	280.13	286.19
Switzerland (37)	244.59	-0.4	233.86	170.57	193.08	190.12	-0.8	1.56	245.50	234.47	171.72	194.33	191.62	252.34	191.24	202.63
Thailand (45)	160.29	-2.0	153.25	111.78	126.53	158.04	-2.1	2.09	163.57	156.22	114.42	129.48	161.38	193.95	146.74	189.19
United Kingdom (200)	232.72	-0.7	222.51	162.29	183.71	222.51	-0.6	4.21	234.32	223.80	163.91	185.48	223.80	237.48	216.52	221.31
USA (627)	255.96	-2.5	244.73	178.50	202.06	255.96	-2.5	2.31	262.55	250.76	183.65	207.83	262.55	276.47	224.83	228.33
Americas (793)	234.36	-2.5	224.08	163.44	185.01	197.08	-2.5	2.30	240.34	229.54	168.11	190.25	202.10	252.48	206.37	209.73
Europe (710)	208.11	-0.6	198.98	145.13	164.28	162.00	-0.7	3.12	209.42	200.01	146.49	165.77	163.28	213.30	189.33	195.17
Nordic (136)	298.00	-0.1	284.92	207.82	235.24	259.89	0.0	2.37	298.31	284.91	208.67	236.14	259.97	306.61	261.13	277.18
Pacific Basin (879)	162.10	0.0	154.98	113.04	127.96	114.87	-0.2	1.20	162.05	154.78	113.36	128.28	115.10	177.01	148.86	162.58
Euro-Pacific (1589)	181.16	-0.3	173.21	126.33	143.00	140.29	-0.4	2.11	181.67	173.51	127.08	143.81	140.91	190.57	166.51	176.06
North America (747)	249.92	-2.5	238.96	174.29	197.29	249.31	-2.5	2.31	256.27	244.75	179.26	202.85	255.63	269.52	220.03	223.48
Europe Ex. UK (510)	189.67	-0.6	181.35	132.27	149.72	157.84	-0.8	2.52	190.81	182.23	133.47	151.04	158.96	194.86	169.65	178.47
Pacific Ex. Japan (398)	280.56	-0.5	268.25	195.66	221.47	241.89	-0.4	3.05	281.90	269.24	197.19	223.15	242.89	296.68	243.59	265.98
World Ex. US (1799)	182.36	-0.4	174.35	127.17	143.95	144.68	-0.5	2.12	183.06	174.84	128.05	144.91	145.43	191.56	167.36	177.07
World Ex. UK (2226)	202.18	-1.3	193.30	140.99	159.60	172.10	-1.4	2.00	204.92	195.71	143.34	162.21	174.81	213.05	185.61	189.82
World Ex. Japan (1945)	235.57	-1.7	225.24	164.28	185.96	223.07	-1.7	2.63	239.63	228.87	167.62	189.69	226.94	247.55	212.62	215.86
The World Index (2426)	204.86	-1.3	195.87	142.86	161.71	176.72	-1.4	2.20	207.51	198.19	145.15	164.26	179.15	214.96	188.49	192.58

CONSTITUENT CHANGE WITH EFFECT 17/7/96: Deletion: SME (Italy). Latest prices were unavailable for this edition.